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SEVENTIETH YEAR

The BANKERS MAGAZINE

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THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR JULY 1916 VOLUME XCIII, NO. 1

Political Platforms and Candidates

THE chief political issues that will form the theme of discussion from now until the November election hardly come within the proper scope of this magazine, and therefore they will not be considered in these pages, however interesting they may be. But some of the matters dealt with in the platforms adopted at St. Louis and Chicago are clearly such as may be noticed in a publication of the character of THE BANKERS MAGAZINE. First among them is the Federal Reserve Act. This important measure was made much of by the prominent speakers who addressed the Democratic National Convention at St. Louis, and was also highly lauded in the platform. For example, Mr. Westcott, in his speech renominating Mr. Wilson, said:

"He dynamited the monetary dams and let credit flow to the remotest corners of the land, its spray dashing even upon foreign shores. He released the nation's resources and set the energies of all men free to exploit them. He destroyed commercial slavery. He struck off its shackles. The prosperity of the nation is the product of statesmanship and financial genius. American credit is now limited only by its own honesty and capacity. The cause being undisturbed, the effects must remain. The schoolmaster is statesman, the statesman is financier, the financier is emancipator. With Lincoln, the emancipator of the chattel slave, he will live forever as the emancipator of the commercial slave."

Quite as impassioned was the panegyric of Mr. Bryan, the late champion of free and unlimited coinage of silver at the ratio of sixteen to one:

"No President since Jackson," said Mr. Bryan, "has had to meet such an unholy combination of the powers of high finance, and even Jackson himself never met the situation better than Woodrow Wil-

son met it. We have just commenced to learn what the Federal Reserve law means for this nation.

"This great piece of legislation, the greatest piece of constructive statesmanship in a generation, has not only broken the hold of Wall street upon the business of the nation, but it has broken the grip of Wall street upon the politics of the United States. For twenty years there has not been an election but what a hundred men in Wall street could, by coercion they had in their power, change the result of the election. And one who, like myself, has felt their power, must be pardoned if he rejoices that we have an Administration that has broken that power and set a nation free."

Senator Ollie James of Kentucky was equally emphatic. He said:

"Would our Republican opponents repeal the present Federal Reserve Law that emancipated the credit of a nation; that made the credit of the country to run in life-giving currents through the avenues of business? Under the old system a few men could create a panic, as the whole nation witnessed in 1907, when all the world was at peace and enjoying unusual prosperity. A small group of men upon Manhattan Island precipitated overnight one of the greatest panics in the history of the nation. It toppled values, wrecked fortunes, destroyed holdings, turned out of employment thousands of men, and locked the door of almost every bank in the country against the depositor who called for his own money. The Republican Party—in control for forty years of our national life—either did not have the ability or the courage or the desire to remedy this brutal system that lodged the money of a nation in the control of this heartless group of men. The Democratic Party took control of this nation, and under the leadership of Woodrow Wilson met this great problem. We took the money control out of the hands of this oligarchy; we lodged its control in the hands of the Government and created the Federal Reserve Banks of the country.

"What would have been the result if the old Republican system had been in effect when the world's war broke upon us?"

Ex-Governor Glynn of New York thus proceeded to show what a glorious blessing was conferred upon the country by the Federal Reserve Act:

"In the panic of 1907, under the old system, New York could not lend a country bank $50,000 with which to meet factory payrolls; in 1915, under the new system, inaugurated by this Democratic Administration, New York loaned Europe $500,000,000, even though the financial centres of the world were disrupted by the world war, and there were still left in New York the largest bank deposits in its history.

"If this Democratic Administration had performed no other

public service than the enactment of the Federal Reserve Act, it would deserve the unstinted approval of a grateful nation. Thanks to Democracy and to Democracy's great leader, the business man who is struggling to establish himself may now work out his destiny without living in terror of panics and hard times. The toiler in the factory may ply his tasks in security, knowing that his employer's business is safe from assault. The farmer who must borrow to move his crops may do so without spending his days in anxiety, his nights in nightmares of foreclosure and disaster."

Finally, as a clincher to these grandiloquent oratorical outbursts, the Democratic platform declares:

"Our archaic banking and currency system, prolific of panic and disaster under Republican Administration—long the refuge of the money trust—has been supplanted by the Federal Reserve Act, a true democracy of credit, under Government control, already proved a financial bulwark in a world crisis, mobilizing our resources, placing abundant credit at the disposal of legitimate industry and making a currency panic impossible."

And how are these statements combated by the Republican leaders and by the platform of that party? In the speeches made at Chicago and in the platform adopted there by the Republican party no mention whatever was made of the Federal Reserve Act. Must it not therefore be assumed that the Republicans virtually concede everything which the Democrats claim in behalf of this measure? By their very silence do not the Republicans really make the Democratic position on this question their own?

If the Democratic assertions respecting the Federal Reserve Act are allowed to stand uncontroverted during the campaign that party should gain several hundred thousand votes as a result of the failure of the Republicans to take a positive stand against the measure.

Mr. Hughes, the Republican candidate, is a man of keen mind. Will he not perceive the danger to his party and to his own candidacy that must follow if the extravagant claims which the Democrats make for the Federal Reserve Act are allowed to remain unchallenged?

Mr. Wilson, who has been renominated by the Democrats, will doubtless be judged in the campaign by the record of his administration rather than according to the promises made in the St. Louis platform.

On business matters both parties profess to be the enemies of monopoly and the friends of legitimate business.

The really important declaration on business problems is this, found in the Republican platform:

"Interstate and intrastate transportation have become so inter-

woven that the attempt to apply two and often several sets of laws to its regulation has produced conflicts of authority, embarrassment in operation, and inconvenience and exoense to the public.

"The entire transportation system of the country has become essentially national. We, therefore, favor such action by legislation, or, if necessary, through an amendment to the Constitution of the United States, as will result in placing it under exclusive Federal control."

This may serve to initiate discussion of the Federal incorporation of railways, something that promises to become a vital question in the near future.

Although as the campaign progresses greater differences may develop between the policies outlined in the two platforms, as these policies may be interpreted by Mr. Wilson and Mr. Hughes, it must be admitted that at present there appears no sharp line of cleavage between Democracy as reflected at St. Louis and Republicanism as it came from Chicago.

From the standpoint of business this is rather fortunate than otherwise, for it indicates that whichever party wins in November business will suffer little or no disturbance as a result of Governmental policies.

COUNTRY BANKS OPPOSE PAR COLLECTION PLAN

OPPOSITION to the Federal Reserve Board's plan of par collections is developing among country banks. Here are some resolutions recently adopted by members of Group Six, New York State Bankers Association:

"Whereas, Since the inception of the Federal Reserve Act, it has been told and reiterated by the officers of the Federal Reserve Bank and others in authority that this law was framed with special reference to the country banks, and,

"Whereas, It is now proposed to put into force a plan for the par collection of checks of all member banks, thereby entailing a direct and severe loss in exchange to the country banks and benefiting only the larger city banks, be it

"Resolved, That we, the members of Group Six, New York State Bankers Association, in meeting assembled do hereby go on record as being opposed to the par collection plan as outlined by the Federal Reserve Board, as it is unfair to the country banks."

This "loss in exchange to the country banks" is to them quite a

serious matter, for it curtails their revenues and apparently reduces profits. Would this loss of profit, in the long run, be real? Might not the banks gain more by increased business were all checks good everywhere at par than they would lose by being deprived of the income now received from collection charges?

This problem was tending gradually to adjust itself through improved clearing and collecting methods, and in time a just and practicable solution would have been reached. But the Federal Reserve System has rather suddenly and, in the opinion of many bankers, arbitrarily, interfered with the plans being worked out through the clearing-houses.

Perhaps it is natural that the banks should feel resentment that the Federal Government should think it necessary or advisable to intervene in the matter at all.

Country banks have been of immense value in developing the farms, industries and commerce of this country. Indeed, it is hardly too much to say that they have been one of the very important factors in the widely-diffused prosperity existing in the United States. Their usefulness should not be impaired, but fostered and extended.

But it is at least an open question whether this could not be done by abolishing all exchange charges. If in this manner a service would be rendered the community that would so enlarge the business of the banks that the cost of the greater service would be more than offset, the country banks would gain and not lose by the transaction. Of course, the country banks do not wish to place themselves in the position of contending for the maintenance of exchange charges solely because they derive a profit from this source. If these charges could justly be reduced, or entirely abolished, there would be no valid ground for their maintenance solely because they were profitable to the banks.

A MORE serious opposition to the check collection plan of the Federal Reserve Banks has developed in the West and Southwest. At a meeting held in St. Louis on June 10, attended by about 160 bankers representing eighteen state bankers' associations, the following resolutions were passed:

"Whereas, At a conference of bankers from eighteen states, held in the city of St. Louis, June 10, 1916, it was the unanimous opinion that the proposed system of country-wide clearing of checks as promulgated by the Federal Reserve Board, in its order of May 1, to be put into operation July 15, is unwise, unnecessary, economically unsound, and, in its last analysis, prejudicial to the best interests of general business; therefore, be it

"Resolved, That this conference, while fully appreciating that the Federal Reserve Board, in performance of its duty, proposes to carry out the provisions of section 16 of the Federal Reserve act, as interpreted by its counsel, nevertheless, hereby expresses its disapproval of the plan as embodied in the said order; and the chairman and secretary of this conference are hereby instructed to send a telegram to the Federal Reserve Board at Washington respectfully urging that execution of the said order be deferred until a judicial interpretation can be secured, as should be done in a matter of this magnitude.

"Resolved, further, That the American Bankers Association be earnestly invited and urged to take such immediate steps as in its judgment will bring about a repeal of those particular sections of the Federal Reserve act which have been interpreted as requiring member banks to receive and remit at par for checks drawn upon them. This conference believes that it is a duty which the American Bankers Association owes to its members, to lend its undivided effort toward securing relief, either through the courts or through remedial legislation, or both.

"Resolved, further, That this conference hereby creates an administrative committee, which committee shall have for its chairman and secretary the chairman and secretary of this meeting of June 10, 1916, and shall consist of one member, to be appointed by the chairman for each state in the Union. The administrative committee is authorized to co-operate with the American Bankers Association.

"Resolved, further, That as grave differences of opinion exist—first, as to the proper interpretation of section 16 of the Federal Reserve act, and, second, as to its constitutionality, if interpreted as indicated by the said order of May 1, it shall be the duty of this administrative committee to take such steps as may be necessary to obtain a final judicial interpretation.

"Resolved, further, That this conference hereby bestows plenary power upon the administrative committee to do not only the things herein specially set forth, but such further things as may be necessary to put into practical operation the intent of these resolutions.

"Resolved, further, That this administrative committee, after estimating the cost of its necessary work, shall forthwith proceed to raise necessary funds by voluntary contributions from banks that are in accord with the spirit of these resolutions."

WHILE treating of this problem is will be appropriate to quote from an address made at the recent annual convention of the California Bankers Association by Frank C. Mortimer, cashier of the First National Bank of Berkeley. He said:

"A movement has been gaining ground looking toward the parring of checks throughout the country, and commendable efforts have been made to solve what may be said to be one of the most perplexing problems in modern banking detail.

"Bankers in general would welcome an arrangement which would facilitate the collection of the thousand and one items, large and small, drawn on out-of-town banks and handed in to them as cash deposits.

"It is true that the present method is cumbersome, expensive and far from satisfactory; but the system, to be improved, must not carry with it any further cost to the banks; that is, if they are to go into a new arrangement voluntarily.

"From statements made by many interior bankers, it is a fairly well-drawn conclusion that loss in considerable amount would fall upon the interior banks, some reporting that their net incomes would be reduced from fifteen to twenty-five per cent. in the event that they are forced to throw off their exchange charges.

"But there are two views to be taken of every question, a broad and a narrow one. Perhaps the interior banker, who sees his income being reduced, may be excused for taking what some may term a viewpoint with self-interest predominating, as self-preservation is the first law of nature.

"Perhaps his bank is located where it is necessary to import coin, at frequent intervals, for the very purpose of cashing out-of-town checks over the counter, or cashing them, indirectly, for his own depositors through cash credit in deposits.

"On the other hand, it may be that he is required, at no less frequent intervals, to replenish his reserve city account by purchasing exchange at current rates or by coin shipment, against which he draws drafts in payment to city banks of items coming through the mails. In some sections of the country this expense is a matter of no small concern.

"I am familiar with the interior workings of a bank which is required to import coin from a neighboring reserve city, in no inconsequential amounts, once or twice a week. This bank, however, makes no charge for exchange, accepting items from its depositors without collecting even cost of handling, where, in many instances, there is an actual cost to absorb. Surely, this is a situation where the legitimacy of an exchange charge cannot be justly disputed. It is a service which those engaged in other business would not care to give without charge.

"The Federal Government charges thirty cents a hundred dollars for postoffice money orders, and the public pay without complaint. This is uniformly higher than many banks charge for transferring funds. Incidentally, it is of interest to note that the Government collected, last year, in the neighborhood of seven millior

dollars for fees on post-office money orders. No figures have been obtained from express companies. This represents a charge for exchange, collected from the public.

"What is considered highly respectable on the part of the Government and the express companies, surely should not be classed as altogether reprehensible on the part of the banks.

"There is a direct service of value given to the public which should not be overlooked. It is entirely a lawful procedure to charge for transferring funds from one part of the country to another.

"From the foundation of banking in this country exchange charges have been recognized as a legitimate source of banking profit.*

"It is not a matter for debate to state that there is an actual cost to the transfer of funds. True, the exact cost is not determinable in many cases; but the fact remains, on last analysis.

"We agree in the conclusion, I believe, that it is just and reasonable that the fees for service performed should be borne by the one who receives the benefit of that service. Therefore, there is hope for the interior banker in the suggestion that the actual cost of collection may be added to the check of the maker and charged to his account when his check is sent to a distant city in payment of an obligation. It would be the same as selling him exchange.

"This would be a fair method. It could easily be put in operation and the annoying problem now confronting us solved to the satisfaction of all concerned.

"This simple suggestion, worked out by means of a system of clearing through Federal Reserve banks, on lines similar to the Boston country check-clearing system, may accomplish much in doing away with the present indirect method.

"The position here stated is sustained by the Federal Reserve Law itself, which, in paragraph 107, provides:

" 'Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons.' "

What Mr. Mortimer has said perhaps fairly represents the general banking view on this subject. His admission that the present system is "cumbersome, expensive and far from satisfactory," certainly gives warrant for the efforts that are being made looking towards improvement. "The system, to be improved," says Mr. Mortimer, "must not carry with it any further cost to the banks."

*"The whole phenomenon of internal exchange is surely an anachronism, due simply to the arrested evolution of United States banking. Local exchange would be considered an intolerable nuisance in this country. It only exists in the United States because their banks still have the same local and parochial character, in spite of the size of their operations, as our English banks had in the eighteenth century."—Journal of Royal Statistical Society, March, 1916, p. 213.

On the contrary, it ought to lessen the cost, both as regards the methods of handling items, the time lost, and above all, the improvement ought to avoid the greater loss the banks suffer from business which they fail to get through the present imperfections in dealing with this problem.

Mr. Mortimer calls attention to the fact that last year the Federal Government collected about seven million dollars for fees on post-office money orders. The express companies also collected a large amount as fees for furnishing express money orders.

Had the banks obtained these fees, their profits would bulk somewhat larger. But how much more might they have gained in deposits and in profitable business had they furnished this service to the public without cost?

Mr. Mortimer says that "the fees for services performed should be borne by the one who receives the benefit for that service." Is it not possible that if this principle were applied the banks themselves would be shown to be the greatest beneficiaries?†

BROADENING THE POWERS OF NATIONAL BANKS

THE Comptroller of the Currency has sent letters to Senator Owen and Congressman Glass, chairmen, respectively of the banking and currency committees of the Senate and House of Representatives, recommending an amendment to the National Bank Act, which will permit about 2,000 national banks located in places with a population of less than 3,000 inhabitants to enlarge their activities by acting as agents for the placing of fire and life insurance and for the placing of real estate and farm loans in their respective localities, and put them in a better position to compete with local state banks and trust companies which now, in some states, have these additional powers.

†Admitting substantial earnings from exchange, let us ask whether the charge is a legitimate one. The country banker replies, naturally, that the check is payable over his counter and not in New York. But this reply is not conclusive, and the following questions are asked: What is it payable *in* over his counter? Is it not payable in cash? Assume that for a month all the checks drawn by his customers and sent out of town are presented over his counter for payment in currency; how long would his vault reserve last in meeting them? How long would it be before he had to ship in currency daily with which to settle for these checks? The more one studies it the clearer it seems that the most economical way for the country bank to pay its checks is to pay them exactly as it now does, by offsetting them with the checks that are deposited with it. But as no expense beyond clerical salaries and postage is incurred in this method of settlement, the conclusion seems inevitable that the exchange charge is not *a reasonable and legitimate charge for services rendered.* And the fact is that the country has determined that it must go.—Pierre Jay, chairman board of directors, Federal Reserve Bank of New York, "The Country Banker and the Reserve System."

In conferring savings bank and trust company privileges on national banks, the Federal Reserve Act took an important step in placing the state and national institutions more nearly on a level. As the powers of national banks are thus increased, and since these institutions already possess some powers denied to state banks, the latter will gradually find that they no longer have any advantage over institutions chartered by the Federal Government, but that they are at a considerable disadvantage. As this levelling process goes on, the final result may be to drive many state banks into the national system.

Whether the recommendations referred to above are wise is a matter about which bankers differ. The banker in the large city is apt to regard these proposed additional powers as unnecessary and unwise. The country banker might be expected to take a contrary view, since he is the one that will be benefited.

There would seem little or no impropriety in allowing banks to negotiate life and fire insurance, as they incur no liabilities on account of such business and would derive a considerable profit from it, although it is not strictly a banking function.

Country banks could perform an important service in their communities in placing real estate loans. They have the necessary knowledge both of men and property that would enable them to transact business of this kind with the highest degree of safety. Long before the Comptroller's recommendation was made, this MAGAZINE had urged that this power be conferred on the banks.

To render banks more useful without endangering their safety is certainly desirable. Are not the recommendations referred to of this kind?

THE RIGGS BANK CASE

FOR some months bankers have watched with interest the developments in the Riggs Bank case at Washington. The controversy was between the Riggs National Bank and the Comptroller of the Currency, the Secretary of the Treasury also becoming concerned in the matter. Charges of perjury were made against certain officials of the bank, but the court has dismissed them. Allegations of conspiracy upon the part of the Comptroller and Secretary have likewise failed of being sustained in the judicial hearing. While the court refused to sustain the action of the Treasury in withholding some bond interest belonging to the bank, pending the payment of fines assessed by the bank for refusal to comply with the demands made by the Comptroller for certain

transactions of the bank, it refused to enjoin the Comptroller from calling for such reports in the future.

The result of the decision is that the temporary injunction restraining the payment of $5,000 is continued as against the Treasurer of the United States, but not as to the Comptroller, and that, except for the purpose of compelling payment of the interest due the bank and retained, and of enjoining the assessment of penalties because of the failure to comply with the demands, held defective in form, for reports, the bill is dismissed as against all the defendants.

Although this decision, in the main, seems favorable to the bank in question, it is not wholly lacking in comfort to the Secretary and Comptroller. The bank officers were cleared of the perjury charges, and the bank seems likely to get its $5,000; but, on the other hand, the Secretary and Comptroller get off on the conspiracy charges and their course with respect to some other matters is upheld.

As usual in such cases, the court did not show a disposition to curtail the supervisory powers exercised by the Comptroller's Bureau over the national banks. The Treasury Department, of which the Comptroller's Bureau is a part, is one of the executive departments of the Federal Government, and as such clothed with large powers. It has generally been the tendency of the court decisions to show great caution in interfering with the exercise of these powers. What the Comptroller may do in the way of visiting and examining banks is fixed by statutes, and these have been judicially construed from time to time. There is, of course, danger that a Comptroller of the Currency possessed of an excess of zeal, or animated by vindictiveness, might annoy and seriously cripple a bank were he allowed to act entirely without fear of judicial restraint. And yet, if such restraint were imposed in many cases the supervising powers which the Comptroller of the Currency is supposed to exercise over the national banks would be rendered ineffective.

Over the celebrated Riggs Bank case much heated controversy has been waged. After undergoing the judicial process the heat seems to be cooling.

As a rule, perhaps, where a bank is charged with practices to which the Comptroller objects, these can be corrected with a little patience and tact on both sides. Banks ought to obey the law, and they ought not enter into transactions which may have a tendency to entangle them in matters from which a bank would better be kept free. In correcting shortcomings of this nature the Comptroller need not be high-handed and arbitrary. More "sweet reasonableness" on both sides would probably have settled the Riggs Bank dispute out of court.

FEDERAL RESERVE COLLECTION SYSTEM

JULY 15 will be an important day for the banks of the United States, for it marks the beginning of an effort to develop a country-wide check collection system on new lines. The plan is thus outlined.

1. The Federal Reserve Banks will accept at par all checks from member banks, whether drawn against other member banks, non-member banks, or private banks. An exception is made at the outset in the case of checks drawn against non-member banks which cannot be collected at par.

2. All checks thus received from member banks will be given immediate credit entry, although amounts thus credited will not be counted as reserves, nor become available until collected.

3. In order to enable member banks to know how soon checks sent in for collection will be available either as reserves or for payment of checks drawn against them, time schedules giving the minimum time for collection will be furnished by each Federal Reserve Bank to its member banks.

4. The actual cost, without profit, of the clearing and collection of checks will be paid by the Federal Reserve Banks and assessed against the member banks in proportion to their sendings.

5. The whole plan is based on generally accepted principles under which clearing and collection plans have long been operated. A Federal Reserve Bank will not debit a member bank's reserve account with items forwarded to it for collection until the remittance of the member bank in payment of such items shall have had time to reach the Federal Reserve Bank.

It is the plan of the Federal Reserve Board to have this country wide check collection system extend ultimately to all the banks in the United States.

This is a radical change, and has encountered considerable opposition from banks that do not like to give up the revenue derived from exchange charges. But should the new system become universal, that is what they will have to do. For should there be two banks in a town, one of which remitted at par for checks drawn against it while the other one did not, one bank's checks would circulate at par throughout the United States while the checks of the other would be virtually subject to a discount equal to the collection charge imposed. The latter bank would almost surely lose business in consequence.

As considerable friction has developed over the innovation, the Federal Reserve Board has issued this explanatory statement:

"The check clearing and collection plan which has been formu-

lated by the Federal Resere Board is not compulsory upon any bank so far as the use of facilities to be provided is concerned.

"Member banks, as long as they comply with the statutory requirements, may continue to carry accounts with their approved reserve agents and with other banks to whom they may send items for collection and from whom they may receive, for similar purposes, checks drawn upon themselves or upon other banks. They will, however, be required to pay without deduction checks drawn upon themselves and presented at their own counters for payment. Remittance of such checks by the Federal Reserve Bank of their district through the mail will be construed as presentation at their own counters, and they must settle with the Federal Reserve Bank for such checks, either by acceptable checks upon other banks or by remittance of lawful money or Federal Reserve notes at the expense of the Federal Reserve Bank. Checks drawn upon a member bank which have been received by the Federal Reserve Bank will not be charged against its reserve account until sufficient time has elapsed for the checks to have reached the member bank and for returns to have been received in due course by the Federal Reserve Bank.

"The Board's clearing plan provides that a small service charge (say 1½ to 2 cents per item) will be made at stated intervals against such banks as send to the Federal Reserve Bank checks on other banks for collection and credit; but it follows that no portion of this charge can be assessed against any bank unless it shall have elected to avail itself of the facilities offered. Federal Reserve banks will handle, besides checks drawn on member banks, checks on such state banks as can be collected at par, and member banks desiring to handle for a Federal Reserve Bank checks drawn on state banks will be given the preference. During crop-moving periods it is thought that this will be a distinct advantage to member banks.

"There is no disposition to deprive member banks of any income that they may have been in the habit of receiving from the collection of drafts (other than bank checks) or from the purchase or discount of commercial bills of exchange, and so there should be no diminution in the customary profits of member banks from such sources.

"Many letters in regard to the plan have been received, a great number of which are commendatory, and it appears from those of opposite tenor that the objections raised are based upon an apprehension that profits will be decreased if the plan proves to be effective.

"It is estimated that as soon as the new clearing system is put into operation checks upon about 15,000 national banks, state banks, and trust companies throughout the United States can be handled by the Federal Reserve Banks at par, subject to the small service

charge above referred to; and as a minority of the banks will find it difficult to retain much of their good business when checks drawn upon them are at a discount, while checks drawn upon the majority of banks can circulate at par, it is thought that in the near future checks upon practically all banks throughout the United States can be handled at par by Federal Reserve Banks. Many banks have found it necessary hitherto to scatter their available funds by maintaining balances with a number of correspondents for exchange purposes, or in order to control checks drawn upon themselves.

"After November 16, 1917, no bank balances will be available as reserve for national banks except balances in Federal Reserve Banks, and therefore after that time any necessity to maintain non-reserve balances with correspondents, either for exchange purposes or in order to obtain collection facilities, would be deemed in many cases a great hardship. It is believed that in numerous instances banks will find it expedient to concentrate their balances and to close many of the accounts which they now carry with other banks, and that a system which will enable them to send all of their checks on other banks to the Federal Reserve Banks for exchange purposes or as an offset against checks on themselves forwarded by the Federal Reserve Bank, will, in course of time, come to be appreciated as a convenience. The release of funds heretofore tied up in accounts carried with other banks and their employment at higher rates of interest in commercial loans, should offset to a great degree the prospective loss of exchange profits, which is at the present time looked upon with apprehension by some of the banks."

If in the long run both the banks and the public shall derive benefit from this change, the present hardships incident to the reform will be forgotten. The extension of the clearing principle from the large cities to the entire country, and the payment of all checks at face value throughout the United States, and likewise the system of clearing-house supervision to all banks, have seemed to many observers of our banking problem desirable ends. The tendency of banking evolution was in that direction, but this tendency has been checked, or rather it has been supplanted, by Governmental intervention. It remains to be shown that this intervention was either wise, effective or necessary.

BROADENING OUR COMMERCIAL AND FINANCIAL RELATIONS WITH LATIN AMERICA

THE recent session of the New York State Bankers' Association at Atlantic City was favored with an address by Mr. Carlos A. Tornquist, head of the oldest and one of the largest banks in the Argentine Republic. His address dealt with

the trade and financial relations between the United States and Argentina and was interesting both for freshness and vigor in the views presented and for the distinguished position which Mr. Tornquist occupies in banking at Buenos Aires. Here are some of the points he made:

"Eighteen months ago," he said, "the dollar exchange was of the most nominal character and practically non-existent in South America. To-day, although in its infancy, it is an established fact. There is no reason why the United States should not be placed on a footing of equality with Europe in relation to Argentine finance and business if the necessary modifications of your Federal banking and trade laws are made on lines which would more largely facilitate banking and commercial operations between the United States and the Argentine. For instance, why should not the United States receive a large share of the $250,000,000 or $300,000,000 which ordinarily every year goes into the coffers of European accepting houses, which accept both for commercial and financial credits?

"These financial credits naturally strengthen the exchange of the country which grants them. Thus, with the increased stability which would be given to American dollar exchange if the Federal Reserve Act of this country permitted such operations, trade and other payments on the basis of the dollar exchange would be greatly facilitated, and, as a logical consequence, an additional stimulus would be given to the commerce of the two countries."

New York bankers fully understand the great advantages they have derived through their ability in former years to draw and negotiate finance bills on London. Now that the international financial situation has been so radically altered by the war, this market would confer substantial benefits on other financial centres as well as enlarge our own commercial and financial operations by engaging in the acceptance of finance bills as the London market did on so large a scale before the war began. The suggestion made by Mr. Tornquist that the Federal Reserve Act be broadened to include this class of business is one that if adopted will undoubtedly add to the ability of our banks to engage in foreign financing and should also tend to enlarge our over-seas trade. Probably it would be wise to confine accepting of this character to the larger banks whose capital and equipment are suited to business of this character.

Passing to a consideration of some means for enlarging commercial intercourse between the Americas, Mr. Tornquist said:

"The experience of the foreign banks in the Argentine Republic has exploded the theory that 'trade follows the flag.' The results obtained there show that trade follows capital; and even in these early days of the investment of American capital in Argentine issues and enterprises there is ample evidence of the truth and sound-

ness of the latter theory. But in order to convert this theory into practical form there are other essentials to be considered.

"There must be closer personal contact between Americans and Argentines. I want to see the inauguration of the first necessity of increased trade relations, and that is the establishment of a service of first-class, comfortable and fast steamships that will make the trip from New York to Buenos Aires, and vice versa, in twelve to fourteen days. Extended intercourse between the leaders of the respective communities—not of their secretaries and employees—would do more good to foster and augment international commerce than any number of conferences or publications.

"We are seeing the extraordinary proportions reached lately in the trade between the two countries; and, although much of it doubtless owes its existence to war conditions, a great part of the advance has been the result of closer personal investigation and of the exercise of more vigorous efforts on the part of American manufacturers than previously were put forth.

"Still, since my stay in the United States I have seen in the columns of the press an undercurrent of suspicion and mistrust with more than one open reference to the necessity for official protection even by force, for American investors in South American countries. Speaking for my own country, let me say, gentlemen, that the great and close relations built up by Europe with the Argentine Republic have been established principally on the basis of mutual confidence; and unless the Americans are prepared to show the same confidence as has been shown by the financial and mercantile communities of Europe—a confidence justified by long experience—they had better not waste their time or their money in the effort to capture a larger share of our trade."

There is a fine and subtle sarcasm in the suggestion that visitors to South America should comprise "the leaders of the respective communities—not their secretaries and employees." Perhaps a good deal of just irritation has been aroused in South America by the breezy, hustling type of "drummer" that has invaded these supposed wilds for the purpose of commercially annexing them to the United States and incidentally giving the inhabitants a sample of true Northern culture.

If more statesmen like Elihu Root would visit South America, and if men of equal calibre in the financial and commercial world would go there not only occasionally but often, the unfavorable impression created by the superabundance of breezy American hustlers in the Southern countries would gradually be dispelled.

Coming to the last subject touched on in the above quotation, a wide and interesting field of discussion is opened.

Mr. Tornquist states that the vast trade built up between Eu-

rope and the Argentine has been on the basis of mutual confidence, and stated that "unless Americans are prepared to show the same confidence * * * they had better not waste their time or their money in the effort to capture a larger share of our trade."

In making this declaration, Mr. Tornquist was of course speaking for his own country. That the basis for such confidence exists in Argentina as in most of the other South American countries is true. But, unfortunately, some countries in South and Central America are less stable. It might be said that American capital and commerce could avoid these and select only those countries known to be well established politically and commercially. But making this selection is no easy task. Mexico, for example, under the rule of President Diaz maintained a high credit standard, and while that illustrious statesman lived and ruled no country was safer or more attractive as a field for enterprise, investment and trade. Since then things have sadly changed.

This subject is unpleasant, but what is the use of mincing matters? Countries wherein governments are periodically upset by revolution, in which courts are destroyed and substantial anarchy prevail, do not offer a safe and profitable field for investment, and they never will. But the remedy for these conditions should not consist of outside pressure. It should come from within. The countries that are politically unstable can not fail to see that they are greatly harmed in consequence of the hesitancy of capital to enter their borders. And is it not possible that a broader remedy may some day be invoked? Would not a union among all or at least among certain groups of nations tend to make conditions more stable and thus greatly increase the prosperity of the nations concerned?

It must be remembered that the threat of force to collect debts due from South and Central American countries has been resorted to by certain European governments that lacked the confidence which Mr. Tornquist justly describes as constituting the basis of their dealing with Argentina, and that in more than one instance this threat would have been carried out but for the knowledge of the restraining power of the United States that lingered in the background. Of course, in what has been said there is no assumption of superior virtue, for North America is not a stranger to debt repudiation. The problem is not one that should give rise to feeling on either side. It is a serious matter, and vitally concerns, in one way or another, all the nations of the Western Hemisphere. While the principle of arbitration seems now somewhat in disrepute, it is a good one nevertheless. Would it be practicable to establish an international American court for the adjudication in case of necessity of cases growing out of the investment of capital by one country in another, and for the purpose of adjusting commercial controversies?

THE RAILWAY PROBLEM

WHAT is "the railway problem?" Briefly, that the railways, virtually compelled through increased cost of labor and materials to pay out more for their own requirements, are only permitted grudgingly if at all to raise the rates for services rendered the public, with the result that capital can no longer be raised in adequate amounts, thus curtailing railway building and the providing of additional equipment for existing lines at a time when the business of the country demands such enlargement of railway facilities.

And the solution of the problem? Several are offered. Many favor Government ownership outright, and with as little delay as circumstances permit. Others—and perhaps this represents the general railway view—believe that private ownership with proper public regulation will give satisfaction and avoid the necessity of resorting to Government ownership. They insist, however, that the dual systems of state and Federal regulation have broken down, and as a means of relief suggest that the supervision and regulation of interstate railway lines be assumed by the Federal Government exclusively. This position is thus forcefully stated by Mr. Ivy L. Lee, formerly associated with the Pennsylvania Railroad Company:

"Until we have a unified system of regulation instead of our present inconsistent rule of forty-nine masters, the sound and valuable principle of private ownership under public regulation will not have had a fair trial. The failure of regulation up to now has not been due to the principle of regulation, for regulation when competent and impartial is most desirable. The present failure of regulation is due to the fact that it is now contradictory, inconsistent, and self-destructive. Successful regulation will be unified and consistent, stringent and definite. The investor, the manager and the public will know precisely what to expect."

This same opinion is expressed in the following extract from a letter written to President Wilson by Hon. Charles Francis Adams of Massachusetts:

"I next find myself further forced to the conclusion that the railroad system generally has outgrown local lines, and that it is futile to expect any adequate remedial action through state legislation or control, partial or complete. The state machinery is, as respects large-scale transportation, antiquated. To indulge then even in an expectation that the problem can or will be dealt with in any comprehensive and constructive spirit through local legisla-

tion is, I submit, futile—so futile, indeed, as to be little better than puerile. The remedy is obvious, even if accepted reluctantly and with apprehension. It must be sought in a system of national incorporation; and in so far as it is required, in national supervision."

Multiple control of the railways has become so burdensome that relief in some form or other will have to be found. But whether the mere change from the supervisory annoyances inflicted by forty-eight different states to the single system of Federal regulation will afford the desired relief is another question.

This is not saying that the change to concentrated control is not desirable. On the contrary, from the standpoint of simplicity and economy alone it would seem to offer solid ground for the hopes entertained by its sponsors.

But does not the root of the railway problem lie deeper than this? If Federal law is inspired by the same spirit that animated the railway legislation of the forty-eight states, and if the Federal regulatory power shall be guided by the same purposes as the state commissions, where will be the gain?

Does not the country need a change of heart toward the whole railway situation—a better understanding of it, and a realization that the railways are not in one group and their employees and the public in another, and that these groups represent irreconcilable hostile camps?

Before there can be any substantial, permanent improvement in railway finances and conditions must there not come about a realization of the truth that the interests of the railways, their employees and the public are essentially identical, and that all have a common stake in their welfare?

When this identity of interest comes to be understood, the legislative and supervisory hostility toward the railways will cease, and the method of regulation will diminish in importance. Perhaps this unified spirit might be more readily applied through Federal regulation alone, and certainly for reasons already given it would seem that the system of multiple control is outgrown. The fact is that much of our business legislation still represents the era of the ox-cart, while we are living actually in the wireless age.

Federal regulation of railways to be efficient must be intelligent and just. Any Federal commission selected to govern the railways must have as members some men who are themselves competent railway executives, the other elements in the community of course being adequately represented. For the Government to attempt to regulate the railways through a commission lacking in men widely experienced in railway management must be just as futile as to try to build a battleship without the aid of someone who understands the principles of navigation and of naval construction.

That this desired efficiency could be more readily attained under

single Federal authority than under the divided authority of the numerous states seems indisputable.

Bankers are intensely interested in seeing the railways so treated by governmental authority that they can keep their finances in sound condition. This statement finds support of a most practical character from the accompanying table showing the holdings of railway securities by the several classes of banks in the United States, according to the report of the Comptroller of the Currency for 1915:

Railway Bonds and Stocks Held by the Banks of the United States

National banks, railway bonds	$379,191,323
State banks, railway bonds and stocks	420,475,283
Savings banks, railway bonds and stocks	2,028,160.541
Loan and trust companies, railway bonds and stocks	1,349,613,857
Private banks, railway bonds and stocks	15,312,724
Total	$4,192,753,728

This huge sum would be further increased were the railway stocks and bonds held as collateral taken into account. But as the figures stand they are large enough to show the enormous interest the banks have in maintaining the values of railway securities. By far the greater part of these securities now owned by the banks are in the hands of savings banks, representing investments of funds deposited by people in moderate circumstances, and chiefly by wage earners. It will be seen, therefore, that any policy which tends to impair the value of railway securities strikes not merely at the banks as institutions, but at their depositors—a very numerous class in the community.

But there are reasons superior to these purely financial considerations which should impel both the banks and their depositors to study this question thoroughly. The banker is first of all a citizen, vitally concerned in whatever affects the public welfare, and the efficiency of the railways is indispensable to the general prosperity of the country. And the bank depositor has exactly the same concern in the matter.

Bankers have great influence in their respective localities and can perform a splendid service by aiding in making known the true condition of railway affairs as they exist to-day.

Both our foreign and domestic trade are already suffering because of lack of proper transportation facilities, which the railways are unable to furnish for the reasons given above. In case of foreign war we should suffer still greater inconvenience.

The people of this country are both intelligent and just. When they have the facts clearly and fairly presented to them they will see that the railroads are given a square deal. And that is all the roads ask.

Railroad Control and Credit

By FRANCIS H. SISSON, Assistant to Chairman Railway Executives' Advisory Committee

RAILROAD credit to-day is at a low ebb and railroad expansion has practically ceased. This double danger is not generally perceived.

We are falling behind instead of making progress—a development entirely out of keeping with the nation's character. Railroad building has come to a standstill, and no one can predict when a resumption of activity will begin.

Now, since progressive railroad development is essential to continued prosperity, unless we are indifferent to our national well-being, and indeed to our economic existence, it is incumbent upon us to evolve a remedy for existing railroad ills.

As a corrective something must be done immediately to restore the financial standing of the carriers. One way to do this would be to raise new capital for them: but the prospects for this, while the present *status quo* of railroad regulation is maintained are not reassuring.

Regulation by forty-eight separate, uncoördinated, independent states and one Federal Government is so unbusinesslike, illogical and embarrassing, it has tended to arrest railroad investment, to impair railroad credit, and to weaken the whole transportation structure.

Something less than two years ago President Wilson made public mention of the plight of the railroads, when he said that their credit had been called in question through a doubt as to their earnings. And only last December he suggested to Congress an inquiry into our existing railroad laws, in order to ascertain if our system of regulation was as serviceable as it might be.

One result of this expression of our chief executive was the passage of a resolution by the Senate for such an investigation, and this resolution is now before the House of Representatives. Of the many investigations conducted by Congress heretofore, none could exceed in purposefulness and service such an inquiry as that now being considered.

Our railroads are the foundations of our prosperity, and since they are dependent upon private capital for their maintenance and development, a situation which finds capital reluctant to embark in railroad enterprise is one to be probed to the bottom.

Indeed, the general approval, from press and publicist, for the President's suggested inquiry is a most reassuring and satisfying indication that the gravity of the railroad difficulty is at last realized.

Let us trust that this public attitude is also a promise of a substantial amendment to our system of control.

UNIFIED POLICY OF RAILROAD SUPERVISION

WHAT the nation needs is a concrete, consistent and sensible improvement which shall make for a unified policy of railroad supervision, in keeping with the national character of our railroads and with the preponderating proportion of their traffic, which is interstate.

Nothing short of this will win the confidence of the investor and lead to a revival in the purchase of railroad offer-

ings. Without him the present transportation system cannot prevail, and we cannot force him to contribute a single dollar toward its maintenance.

Fair treatment of railroad capital by those charged with the regulation of our transportation systems is an indispensable inducement to investment.

Once a belief spreads or even a suspicion arises that the railroads have been harshly treated by their supervisors—either through enforced capital expenditures, arbitrarily or unnecessarily increased costs of operation, unjustly reduced freight or passenger transportation rates, vexatious restrictions as to hours of labor, safety appliances, security issues, etc., etc., investors will look upon railroad securities with distrust and turn to safer and more profitable channels for the investment of their surplus funds.

Recently, said Otto H. Kahn:

"From my practical experience in dealing with investors I have no hesitation in affirming that the main reason for the multiplication of railroad bankruptcies and of the changed attitude of the public toward investing in railroad securities is to be found in the Federal and state legislation of the years from 1906 to 1912, and in what many investors considered the illiberal, narrow, and frequently antagonistic spirit toward railroads of commissions charged with their supervision and control."

From Mr. Kahn's frequent participation in railroad financing on a large scale and his wide experience in the banking and investment arena, it may be assumed that he speaks advisedly. In truth, statistics are at hand to sustain him.

Average quotations of twenty representative railroad stocks in mid-May last showed a high of 104 as against 138.36 for the year 1906, a shrinking of more than thirty-four points. The average low of the same stocks for 1906 was actually sixteen points above the May high average quoted; and in 1908—a year of post-panic depression—the average high was almost sixteen points greater, the figures being: 1908, 120.05; 1916 (May), 104.

For 1915 the average high of these representative stocks was only 108.28, and for 1914, 109.43, showing reductions respectively of thirty and twenty-nine points in comparison with the aforementioned average high quotation of the same securities in 1906. From this comparison it is evident that railroad capital investment is not so attractive as in former years, and undoubtedly the causes mentioned by Mr. Kahn contributed potentially to this decline.

Much is said, in the present, as to the effect of offerings of American railroad securities by foreign holders in defeating, for the time being, either advances in railroad quotations or new security flotations. But the decline which took significant form in 1914—the average falling from 118.10 for 1913 to 109.43 for 1914—was not in response to the European war or to the return of American railroad stocks by foreigners. The exchange was closed coincident with the outbreak of hostilities; hence the average for the year 1914 cannot be attributed to anything but domestic causes.

WIDESPREAD INTEREST IN RAILWAY PROSPERITY

PRACTICALLY three-fifths, or sixty millions, of our people are directly and vitally interested in the prosperity of our railroads.

It is a basis of income for about six million investors, and a source of actual livelihood for nine million workers. An additional five millions are employed by industries dependent upon the carriers; while the security of thirty million insurance policyholders and eleven million savings bank depositors rests largely on railroad earnings.

Surely we are obligated to establish a more rational system of regulation for an industry so tremendously important to our very national existence. And in the work of formulating a more constructive policy, the banking fraternity

might be heard from with good results.

No other profession has so many close and intimate contacts with railroads, their securities and their problems. Accordingly, it would seem appropriate if banking thought, experience and judgment contributed to the general discussion precipitated by the congressional resolution aforementioned.

In addition to the resolution before Congress, mention may be made of the Rayburn bill, because its purpose and aim should be exceedingly interesting to all readers of this magazine. This bill is designed to prevent over-issues of securities by carriers by conferring upon the Interstate Commerce Commission power to investigate and regulate railroad investment offerings.

From the railroads there is hearty approval for the principle of the Federal regulation of railroad security issues, for they have had ample opportunity to appraise at full value the embarrassing, vexatious and costly attempts by nineteen states to regulate their securities.

This state policy is an arbitrary exercise of power by a state to determine and at times to limit the financial integrity of an interstate railroad. This is an extension of state authority beyond its proper limits. Matters of railroad administration and finance, obviously, are issues of more than local significance. Hence, no single state should be the arbiter of questions so momentous and far-reaching.

Congress alone, or its deputy, the Interstate Commerce Commission, should have jurisdiction over questions of this character requiring uniformity of treatment.

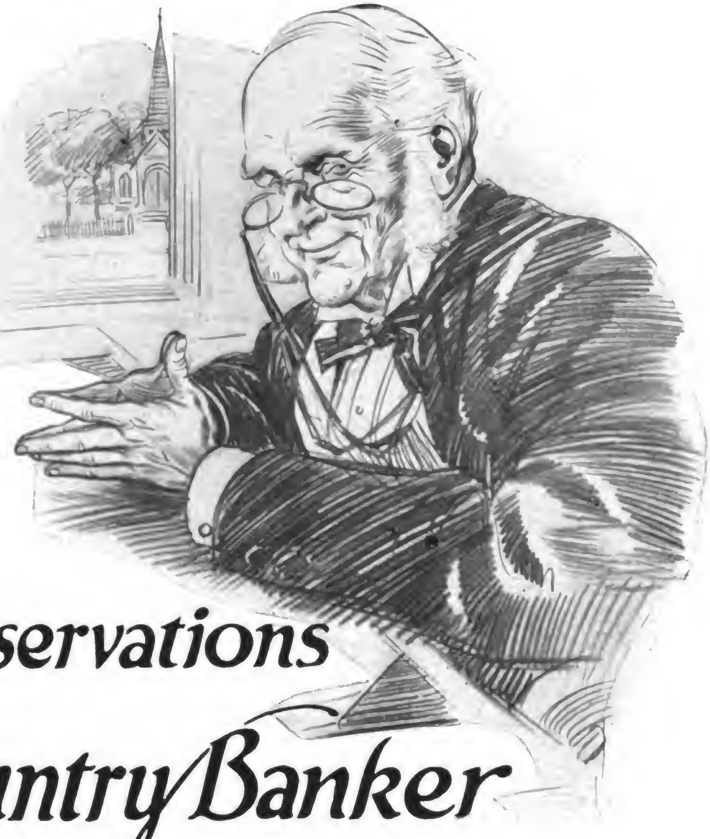
Delay, defeat and embarrassment are some of the results of state railroad security regulation. The Southern Pacific suffered a loss of $275,000 through delay on the part of the Arizona Commission not long ago. Proposed railroad financing, for which satisfactory syndicate arrangements had been made in the spring of 1914, was wholly defeated because necessary state approvals were delayed until the outbreak of the European war.

Kansas and Texas both "dickered" with certain railroads, insisting that a part of the proceeds of intended new financing be expended within their territory, respectively, as the price of their assent.

Naturally, the imposition of such conditions is a discrimination against the rights and the commerce of other states. This can be seen, perhaps, more clearly if we use an illustration.

Let us take the case of an interstate carrier which traverses several states, the consent of each being necessary to any proposed increase in such carrier's securities. The railroad in question determines on a bond issue, which, being a junior lien, is secured on its entire line. All states but one give their consent to the proposed financing. Failing to secure the approval of that one state, the railroad is forced to abandon its plan; the traffic moved by it is denied the benefit of additional facilities dependent upon the frustrated bond operation; and the commerce in all the states which assented to the bond plan is thus discriminated against by the action of a single state.

This aspect of state railroad regulation certainly warrants investigation and discussion by bankers. Their advice and opinion are needed urgently, and their co-operation herein should prove serviceable in the highest degree. The railroads take the position that Congress should exercise its right to regulate in behalf of all the states; and they believe that, under such a rule, railroad credit and the value of railroad securities will increase.



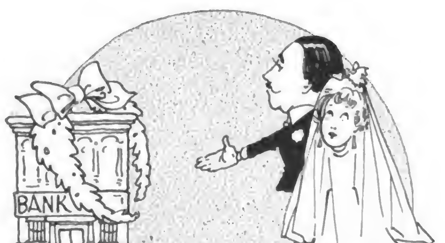
Observations of a Country Banker

By W. LIVINGSTON LARNED

OUR bank and its business are built on a policy of "Helping People Help Themselves." It is the accumulation of a great *many little accounts* that makes success in *any* line. "Will," our paying teller (who is a man forty years of age), said to a Y. M. C. A. friend: "You're spending every cent you make, as you make it. Here's a suggestion—every other night *don't* play pool—save those dimes for a bank account, and see what happens. It'll be an interesting experiment."

Will did.

He married last Thursday and the five thousand frugality had put in our vaults was what made it possible.



"He married last Thursday and the five thousand, that Frugality put in the vaults of our bank, was what made it possible. Banking is built on a scheme of 'helping people help themselves.'"

THE fool arguments some people put up as a justification of the spendthrift habit is enough to try the patience of a whole community of saints. Listen to these:

"We're a long time dead!"

"When you are old, money doesn't bring pleasure anyhow."

"Why save, just to die and leave it to somebody *else* to spend?"

"Money was made for one purpose only—to get rid of."

"We have no children—what's the use of *our* saving?"

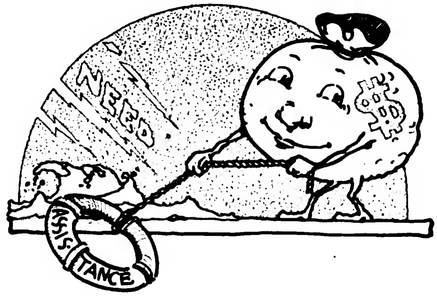
"There's one thing sure—while I was young and could enjoy it, I've had a fine time."

"Save and save and scrimp and then the bank busts, and you ain't got nothin'!"

"I'm going to spend mine and enjoy it while I'am alive!"

"The cost of living is so high that if you save any money, it means you've got to live like a miser all your days."

Silly reasoning. False logic. Fool's Paradise. Ten minutes of common sense will riddle every one of these stupidly untrue arguments. Many a ship has gone ashore on them.



"His child had been taken mysteriously ill. A specialist was consulted. To save the little life an operation was necessary. An unusually difficult and important operation it was, too. That bank account proved a life-preserver, if there ever was one."

"TO hear you talk, anybody would get the idea that *money was everything!*" A gentleman who didn't quite understand, made that remark to me one afternoon. For a full minute it hurt—hurt away down deep. But I put my hand on his shoulder and said: "Mr. X—it *is*—when you need it. Nothing can take its place. This morning, at ten o'clock, a fellow who works at Lamar's Mill, on the River Road, came in and drew five hundred dollars—it left a little under fifty as balance. As he passed my office, he was crying—crying just like a baby. I went out and made inquiries—wanted to know what the trouble was. His child had been taken mysteriously ill—a specialist was consulted. To save the little life an operation was necessary—an unusually important and difficult operation, too. It would cost—with nurses and seven weeks at the hospital, something like five hundred dollars. But it meant the saving of that baby's life. He cried because he was so *happy* at having the money to spend. He thanked God for having put it away. I don't think money is *everything,* my friend, but it is *much.*"

The chap walked out the door, head down, thinking it over pretty seriously, I guess.

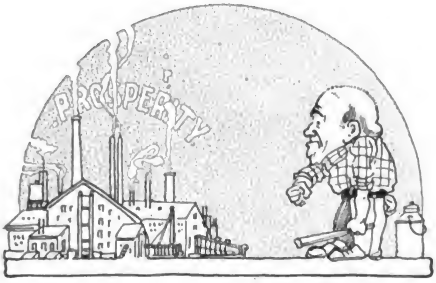
I LIKE to have cheerful people about me. Every man in my employ is an optimist, as far as I can judge. When fellows come to me, looking for work, I'm as much interested in their smiles as in their references. You know—Life is a sort of employer, too. Gives a man definite proof of the sort of service he has been giving the world. A smiling countenance and a fund of hopefulness and good cheer are the "References" Life writes out for us at job-hunting time.

IT is a bank's duty to correct the false impression many persons have of the aggresiveness of money, in the aggregate. The thoughtless entertain a fantastic delusion to the effect that the moment any business becomes prosperous it is a menace. The word "trust" is a fighting-mad name for all that is black and mean and grinding and contemptible.

If I had my way, I'd start a little advertising campaign on the sanity of

"Trusting the Trust," instead of "Busting the Trust!"

"BIG Interests" must necessarily be big in a financial way. Profits, however legitimately earned, seem to irritate some of us, when they commence to "pile up." In Detroit you hear more workmen come *singing* from their work than anywhere else I can think of at the moment. When the institution is happy, the men are. In proportion, the "salary" earned by one is equivalent to the other.



"Profits, however legitimately earned, seem to irritate some of us. 'Big Interests' must, necessarily, be BIG in a FINANCIAL way. It is a Bank's duty to correct the false impression many persons have of the Aggressiveness of Money."

WHERE the banks in a community are prosperous—when they are getting along nicely—have nice homes and clean appointments, have you ever noticed that the rest of the village seems to be cut from the same bolt of cloth?

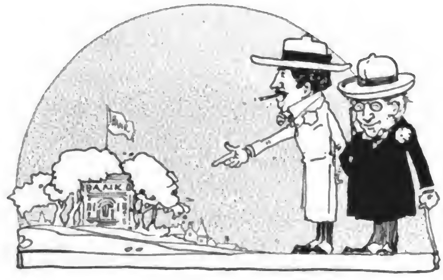
I visited a small town in Florida not long ago, situated a few miles from where you take the boats to go down the famous Ocklawaha River. The minute I came out on the hotel veranda, I was struck by the clean, quiet, restful beauty of the Square. Everything was tidy and clean and well-groomed. Prosperity was in the very green of the leaves and in the red of the brick building.

A fine, beautifully designed court-house stood in the spacious square. It was as fine a structure as you'll see anywhere, too. Healthy trees threw shadows over and around it—there were geranium beds, and a sleek colored man was watering them. Plenty of well-cared-for horses and mules were hitched near by. Their coats were shiny. When they kicked at the sand flies, there was fire in th' kickin'.

Stores on all four sides bristled with activity. The windows had been dressed neatly. A pretty little woman, with a market basket on her arm, came past the hotel. She was singing. And up around the tower of the stately court-house doves were circling.

"You have a powerful fine town here, Mr. Macklin," I remarked to the proprietor of the Macklin House. "How is it to be accounted for? There's a different quality to the very air. This is a successful community."

He took me by the arm and led me down the steps and over across the grass-covered square, stopping once to pick up a sprig of geranium, which he made me stick in my buttonhole. We rounded the court-house and then I could see the object of our jaunt—it was a country bank, sitting back under some big, dignified elm trees. Everything about the bank was shiny—the concrete blocks and the tile roof and the window glass and the hardware—yes, sir—everything, even the bald head of the smiling man we could see through an open doorway.



"Then I could see the object of our jaunt . . . it was a little country bank, sitting way back under some big, dignified trees." "That," says he to me, "is a sort of Clearin' House for every Farmer in the country—a place to bring his troubles to, if he has any—as WELL as his money."

"Nice lookin' bank," observed Macklin, his eyes full of sparkle behind his spectacles.

"Very," I agreed.

"Prosperous lookin'," he added.

"Very."

"It *is*—ground paid for—building clear. Not a dollar owing. Clearing-house for every reliable farmer's trouble in this county. Do you know what one thing contributes to the progressiveness of this village more than any other in my humble estimation?"

"I can't imagine," I responded.

"Our people's trust in their banks. We do everything we can to *help* banks—to make their ambitions easy. We have full and unlimited confidence in them—in what they stand for. That was the first seed planted—all the rest you see around here sprang up afterwards."

BLESS th' women folks!

They're the ones responsible for thrift.

Enough of the saving, frugal, building sort are born every year to make man put "a little away for a rainy day."

I hear a great deal of pessimistic talk concerning our modern generation of women—of how giddy and irresponsible

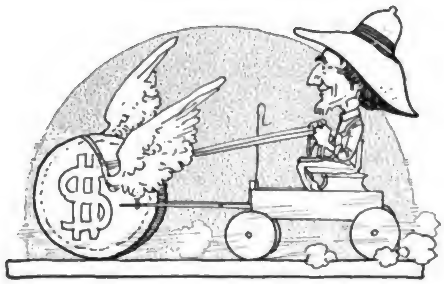
"In looking over the majority of our medium-sized accounts, I find it's the woman who saves—who inspires to save . . . who is directly responsible for the saving. She it is who takes John's pay envelope, at the end of the month, and portions it out, so as it'll go furtherest."

they are—of their tendency to squander money on dress and foolishness.

It's all bosh!

Hundreds of good mothers and loyal wives must suffer for the whims of one or two. In looking over the majority of our medium-sized accounts, I find it's the woman who saves—who inspires to save—who is directly responsible for the saving—who takes John's pay envelope at the end of the week and portions it out so's it'll go the furthest. Sometimes I'm almost ready to believe there wouldn't *be* any banks if it weren't for the woman—Lord bless 'em.

A FARMER of my acquaintance (one of our largest depositors) has a rather unique way of putting the bank account question. Says he: "A



"About every so often," said one of our Farmer friends, "I take my money out—or part of it—hitch it up to a good investment, and get a leetle further along on the Road to Prosperity."

bank account is like having a fine team in th' barn. You don't need to use 'em every minute, but if you want to travel in a hurry, there they be. 'Bout every so often, I take money out, hitch it up to a good investment, and get a few miles further along on th' road to Prosperity."

Thats' what I call Money-sense put in Horse-sense language.

"SHOULD people own automobiles?"

That question is put to me a dozen times a week. What those asking it really intimate is this: "Are automobiles too much in the *luxury class?* Are they wasters of money? Do owners of cars spend more than good judgment

dictates? Is an automobile a menace to saving?"

I'm rather practical, I think, in sizing up the question—liberal, too.

Automobiles are an essential factor in modern civilization. They bring pleasure and happiness and health. They widen horizons and therefore widen life. They educate because of the new viewpoints they afford. They save time and save youth. Ask any grandmother what she thinks of her boy's car. No more tucking away of our older folks in an arm-chair by a window—they get out—circulate—live a lot longer—live a lot happier.

As for the "affording" part of it—you'll never be able to set a law or a standard for *that*.

Cars come in so many sizes, at so many prices, that families can get fitted, same as houses are built according to bank accounts.

Sane folks don't try to live in a fifty-thousand-dollar mansion on a twenty-five-dollar-a-week salary. Common sense is becoming such a popular commodity that the man with a Ford wallet doesn't order a Packard limousine.

There *are* exceptions—I'll grant you that, but it's only after you travel a while, out in the great farming country, that you begin to fully realize how many sensible folks exist.

No matter what we earn, some percentage of it *should* be clipped off for pleasure. We owe it to ourselves.

THE way you handle a bank account is very much the way Nature makes you handle her health account. All through early youth you deposit strength and vitality and power to do. Later on, you have need for it and you begin to draw. Some people do it moderately and always keep a balance on the books—others spend and spend and spend, until there's a smash.

Sunken Treasure-Ships

By ALEXANDER DEL MAR

The recent organization of a company in New York, headed by well-known capitalists, for the purpose of recovering gold, silver and other treasure in sunken ships, lends timeliness to Mr. Del Mar's interesting account of the many treasure-bearing ships that have been sent below the waves in one way or another.—Editor.

COMPREHENSIVE investigations concerning the production, consumption and holdings of the precious metals have conclusively shown that of the entire amount known to have been taken from the earth or wrested from the natives of America and the Orient, since the opening of the sixteenth century, two-thirds have gone into the arts, been interned, or buried in secret hoards, or lost from abrasion and shipwreck. This comprehensive result was attained by comparing the whole amount of gold and silver acquired with the entire stock on hand in the known world. Its substantial trustworthiness must therefore be conceded. The details may be questioned, but the main conclusion is incontestable.

Down to the present date the amount of treasure acquired by the known world has been about thirty billion dollars; the entire stock of coins and bullion on hand, both East and West, is

eleven billions; the sum to be accounted for is therefore nineteen billions. Of this it has been estimated that there is permanently embodied in works of art, not liable to be taken to the mints, about eight billions; buried in the earth or hidden in other hoards (chiefly in Asia), six billions; lost by the abrasion of coins in the course of 400 years, three billions; lost by the abrasion of other objects made wholly or in part of the precious metals, one billion; sunk in ships and not yet raised or recovered, one billion; total, nineteen billions —$19,000,000,000.

From this estimate it appears that a sum equal to about a tithe of the entire stock of coins and bullion on hand in the world, that is to say about one billion. lies at the bottom of the sea; and much of it in situations accessible to divers with apparatus capable of working at a depth of thirty to ninety fathoms from the surface. It has been stated in the public press that such a device has been recently invented and successfully tested by a new salvage company: that, for example, the treasure which is sunk in the Lusitania can be recovered. This vessel lies at the bottom, off the coast of Ireland, at a depth of eighty-odd fathoms. If the statements are reliable and the operators are not molested, the golden freight of that noble but unfortunate ship may yet see the light.

But indeed the treasure of the Lusitania, whatever may be its value, is small compared with the many other treasures sunk on the coasts of America, the West Indies Islands, Spain, Portugal and the Orient. It is the most notable of these treasures that are now proposed to be described, and so far as is known, located.

SPANISH AMERICA

FIVE different routes were adopted by the plate-ships from America to Spain and its colonies in Asia and Africa. First, from Mexico or from Peru, via Panama, to the Gulf of Mexico, and thence by way of Havana into the Atlantic. Second, from the Gulf of Mexico and Caribbean Sea, by way of the Pearl Coast or "Terra Firma," into the Atlantic. (By the way, this coast had the native name of Amaraca ages before the baptismal name of Emerigo Vespucci was foisted upon it by the German cartographers.) Third route, from Mexican, Peruvian and Chilean ports on the west coast by way of Cape Horn or else Magellan Straits, into the Atlantic. Fourth, from ports on the west coast, by way of Cape Mendocino, to the Philippines. Fifth, from ports on the west coast, by way of Cape Horn or the Straits and the coast of Brazil, east to Sierra Leone and north to Cadiz. The Portuguese took a similar route from Brazil to Lisbon.

It was the danger of these last two routes from buccaneers and "pyrats" that led Charles V and Philip II to send corps of Flemish engineers to survey the Isthmus of Panama, with the design of cutting a ship canal through that obstruction. Nothing but lack of funds prevented the fruition of these early projects. (Dr. Peter Heylin's "Mikrocosmos," 1631, p. 788.) It is along the coasts of these various routes that most of the wrecks of treasure ships are sunk. Following is a record of some of them.

SIXTEENTH CENTURY

1502. While Columbus was on his fourth voyage, seeking to find a water passage to the Indies through the coast of Central America, Ovando was appointed governor of Hispaniola by Ferdinand, the avid king of Spain, whose object was not so much geographical discovery, as the acquisition of gold. In pursuance of his master's instructions Ovando stopped at no rigors or cruelties in forcing the natives to produce the coveted metal from the reluctant streams of that island. The fiendish measures he adopted will everlastingly stain the annals of his native country. It is enough to say that he cut off the hands or otherwise tortured

the caciques who failed to bring in the official quota of metal, among others the faithful and beautiful female chieftain Ana-Caona and her young daughter, both of whom he ordered to be ignominiously treated and cruelly hung upon a charge of conspiracy; really because the unhappy prisoners were unable to find the required tribute of gold. Among the ill-gotten produce yielded to his avarice was a nugget worth about $6,000, the largest that had been found, or that ever has been found in Hispaniola. It was turned over by a rake in the hands of a poor woman washing for gold in one of the little streams that fertilizes the island. This nugget, together with other gold, amounting altogether to about 200,000 castellanos, equal in fine metal, to say, a billion dollars of the present day, the "product of nearly two years of unexampled cruelty and oppression," says Prescott, was shipped on the fleet commanded by Francisco de Bobadilla, bound to Spain. In a hurricane which assailed the fleet shortly after it left port, the entire treasure was lost. It still lies on the coast of Hispaniola, in not any great depth of water and may yet be recovered. That nugget, to revive the memory of its ill-fated finder and her sovereign queen Ana-Caona, would be worth to-day almost as much as the rest of Bobadilla's golden cargo.

1522. Dec. 20. Eighty-eight thousand pesos in gold bars, the wardrobe of Montezuma and numerous jewels and precious stones, among them "pearls the size of hazel nuts," shipped by Cortes to the sovereigns of Spain, Charles and Juana, were captured by a French corsair named the "Jean Florin." (Helps', "Spanish Conquest," iii, 16.) It is believed that the "Jean Florin" never reached port, having been wrecked on the coast of France.

1573, Aug. 9. Sir Francis Drake returned to England from a roving voyage on the Spanish Main with such a quantity of gold and silver, chiefly gold, that he was able to divide 4,700 per cent. net on the stock of the "adventurers" who had fitted him out. This did not include the booty which he was obliged to bury the raided lands and which may never be recovered. ("Merchants' Mappe of Commerce," 1683.)

"When in the sixteenth century Spain discovered gold in America, all Europe scented the prey and was moved with an unlawful desire to share it. These yearnings and the depredations that followed led to the organization of the Spanish flota, a convoyed fleet of plate-ships, and the establishment of haberia, an insurance tax. The flota was dispatched every six months alternately from Mexico and South America to the port of San Lucar, near Cadiz. But even this precaution was destined to be defeated. Designs upon the plate-ships assumed a more systematic and formidable character. Quarrels were fixed upon Spain on various frivolous pretexts. War was declared against her, and privateers were dispatched from almost every port in Europe to snatch from her a portion of the coveted wealth which she was wresting so rapidly and cruelly from America. Rovers, with and without government pennants, sailed from France, England and Holland, in times both of war and peace, who intercepted the Spanish galleons and plundered the Spanish-American mining towns and bullion depositories. Upon Admiral Drake's return from his second cruise (1580) it was publicly charged that "his pretence of desiring to circumnavigate the globe might serve to amuse the vulgar, but that in point of fact the main business that he had in view was plunder, of which he had already obtained enough to exempt the nation from taxes for seven years." Upon the complaint of Philip II that Drake's proceedings were piracies, England virtually admitted the justice of the charge by restoring a portion of the booty.

"The coasts of New Granada were ravaged by privateers and others in 1572; Mexico, 1576; Nombre de Dios, 1576; Peru and Chile, 1577; Paita, 1586; Guatulco, 1578; Carthagena, 1581; San Domingo, with immense booty, 1586; Santa Marta, Guiana and settlements on the Orinoco, 1595; and even Cadiz in Spain, 1587, and again in 1596, with a loss to the Spaniards in gold and silver, ships' stores and war material, amounting in value to twenty-

seven million gold ducats, about seventy million dollars. In the following century Vera Cruz was plundered, 1608; St. Thomas and other settlements on the Orinoco, 1617; Matanzas, 1628, with a booty of 11,600,000 guilders, about fifty million dollars; Maracaibo, 1666; Porto Bello, 1670; St. Catherine, 1671; Panama, with enormous booty, 1671; Vera Cruz, with ransoms of a million dollars, a great quantity of other plunder and 1,500 slaves, 1683; Campeachy, 1685; and Carthagena, with eight million dollars in silver, 1697. Before the middle of the seventeenth century buccaneering was a well-organized pursuit, and the desperate characters who followed it were in possession of armed ships and boats, fortified islands and other effective means of offence and security." (Halcyon Age of Europe, p. 4.)

The navigators, discoverers and conquerors of the sixteenth and seventeenth centuries, forgetting the previous ages of chivalry, had yielded to and unchained the passion of avarice; every prince in Europe was inflamed with it; and so fatal was its corroding power that it destroyed such of the discoverers themselves as failed to continually feed the venal flame. Columbus was laden with chains, Cortes was suffered to die in poverty, Raleigh was imprisoned in the Tower, and Pizarro was assassinated. On the contrary, those who could continue to lay riches at the feet of their sovereigns were rewarded with favors and dignities. Blake had been a shopboy, Drake a Devonshire peasant, Morgan a Welsh pigherd; yet all of them, and others like them, who had no families to uphold, no reputations to lose, were elevated to rank and honor. The pernicious doctrines of Machiavelli were in the air; every court was familiar with them. Success, no matter how achieved, whether through treachery, piracy, poison, or the dagger; success, wealth, power; these were the sole criteria of merit and the only roads to distinction. Success—or poverty, obscurity and death.

1580, Nov. 3. Captain (soon to be Sir Francis) Drake, who had sailed from Plymouth in 1577 with five vessels and 164 adventurers on a voyage of plunder to South America, pillaged the Spanish settlements in Chile and Peru, captured near Panama the "Cacafuego," a Spanish galleon with thirteen chests of coined money, eighty pounds weight of gold, twenty-six tons weight of silver bullion, besides wrought plate and jewelry to a vast amount. Sailing north and landing on the coast of California, he impudently claimed the entire region for his sovereign. Fearful of capture, for he was overburdened with booty, he sailed westward around the world and arrived safely in England. Here the Queen (Elizabeth) received him with favor, dined him, knighted him, and shared his spoil. (Lopez Vaz: Appleton, vii.)

1586. In a subsequent voyage Sir F. Drake (it is well to be particular about the name, because there were two Drakes and two Blakes in the same trade) attacked the Spanish flota, captured some of the galleons and sunk others heavily laden with treasure.

In 1587 Cavendish captured the "Santa Anna," Spanish treasure ship, off the coast of Mexico, with 122 pounds weight of gold and other spoil. On June 18, 1589, George Clifford, Earl of Cumberland, commonly alluded to by his own countrymen as "the prince of pirates," took two Spanish galleons, one off San Juan de Ulloa, with gold, silver, etc., valued at half a million dollars. This prize, on being sent to Europe, was wrecked off the coast of Cornwall, where the treasure, if not subsequently fished up by a treacherous crew, still awaits the wrecker. His remaining prizes yielded the earl 100 per cent. on his entire outlay.

1592. Sir John Burrough captured the "Madre de Dios," Spanish treasure ship, off the Azores, with gold, silver, etc., valued at $750,000.

1593. On his second voyage, the Earl of Cumberland, with nine ships, captured twelve Spanish merchantmen off the coast of Portugal and several others in the West Indies, with immense treasure.

1597. Admiral, the earl of Essex,

Lord Thomas Howard and Sir Walter Raleigh, with 120 ships, scoured the Gulf of Mexico, capturing a number of Spanish vessels and driving others to shipwreck on the South American and West Indian coasts. Upon his third voyage the Earl of Cumberland, with twenty-three ships, captured a number of Spanish vessels in the West Indies, but no particulars are given of their booty or its disposition. (Bourae, vol. ii.)

1587. One hundred Spanish vessels went down before Sir Francis Drake's guns in Cadiz harbor. Ten thousand tons of shipping and a considerable lading of American treasure were the forfeit. The particulars are given above. It is known that efforts have been made to recover the treasure; but with what measure of success has not definitely transpired.

1588, July 19. The Spanish armada having been defeated in the Channel by the English, the surviving ships attempted to escape capture by sailing to the north of Scotland. A number of them were wrecked on the Scottish coast with several millions in treasure, some of which is believed to still lie at bottom of the bays and firths.

1598. The Spanish galleon "Good Jesus," bound from the Isthmus of Panama to Spain, was lost on the coast with two millions dollars in gold and silver. (Howland, "Ocean Story.")

1597. The Spanish galleon "Margarita" was driven ashore near Puerto Rico with $7,000,000 in gold. This wreck was located in 1898 by a party of students from Hartford, whose efforts to recover the buried treasure are said to have been of too inexperienced a character to meet with success.

Casting a retrospective glance over the treasure records of the sixteenth century, though it must be conceded that the successful naval commanders were neither wanting in courage nor dash, their cruises against Spain and Portugal were animated less by patriotism than avarice; stained moreover with cruelty and bad faith. Their own countrymen, both in England and Holland, called them "pirates." Let it be membered that no cause of war had occurred between England and Spain; that several treaties of amity and commerce had been recently exchanged between them; that Catherine, the wife of Henry VIII, was a Spanish princess; that Philip I and Queen Juana had been invited to share and partook the royal hospitalities of Windsor; that their son, the emperor Charles V, had afterwards been similarly welcomed; that while the king of England effusively embraced his imperial visitor, Wolsey, the king's prime minister, accepted his presents, with knowledge of his master; finally, that Philip II of Spain was also the king of England, until disgust with the venality of the court is said to have been among the reasons which induced him to voluntarily vacate the throne and return to his native country.

SEVENTEENTH CENTURY

After the English aggressors came the Dutch. The restraint imposed upon the Flemish princes during the reign of Charles and Juana was abandoned when Philip II mounted the throne of Spain. Buccaneering operations began early in the seventeenth century. When the Netherlands succeeded in equipping a sufficiently powerful navy, buccaneering was followed by atacks of a more formidable character. The naval hero of this period was Peter Hein. Until 1623 he was vice-admiral under Admiral Jacob Willekens, when for services rendered in the East Indies he was transferred to the scene of his greatest exploits—the West Indies. He got to work at once.

1623. Admiral Peter Hein, commanding the Atlantic fleet of the Netherlands, encountered the Spanish flota from round the Horn, off the coast of Brazil, pursued a number of the galleons into shoal water, and sank or captured several others, the latter with rich booty. What became of the escaped galleons we are not informed.

1628. Admiral Hein, now commanding a fleet of thirty-nine ships,

nominally fitted out by the Dutch West India Company, fell in with the flota September 8, when the Spaniards, to cover their treasure, ran into Matanzas Bay, Island of Cuba. Hein, on the next day, succeeded in making himself master of the whole fleet, with its rich lading, amounting in value to more than 11,600,000 florins, nearly $30,000,000. For this important service he was raised to the rank of Admiral of Holland. An examination of the Spanish plate-ship registers leads to the belief that the most valuable portion of the original lading, the gold, was dropped during the night into the waters of the bay. It is doubtful whether or not any of this treasure was afterwards recovered.

1637. A treasure-ship bound from Peru to Spain, richly laden with silver bullion, was sunk by privateers near the mouth of the Rio de la Plata. More precise location of the wreck not given. Fifty years later (1687) Captains Phips and Alderly, with the aid of divers, recovered nearly two millions of the treasure. The share of Phips was $1,500,000; of Alderly, $200,000. ("Out on the Deep," p. 25.)

1656. Notwithstanding the greater strength of Cadiz, to which place the Spaniards had transferred their home port for the flota, the indomitable Admiral Blake, like his predecessor Drake, had the temerity to attack it directly after the flota arrived from America. With the exception of one galleon, on board of which he captured two million dollars, he succeeded in sinking the entire fleet, whose valuable lading, amounting in value to many millions of dollars, still lies at the bottom of the bay. Many efforts have been made to recover the treasure, with only partial success, the bulk of it remaining beyond reach.

1657. In the following year Blake repeated this exploit off the Isle of Teneriffe, one of the Canaries, where he encountered and sank the entire Spanish plate fleet, not a single ship escaping. The treasure sent to the bottom on this occasion was far greater than that of the preceding year and the consequences to the Spanish crown were most disastrous. (Anderson, "Hist. Com.")

1697. The Buccaneers' fleet, sunk this year in the West Indies by a combined squadron of English and Dutch ships, had on board a spoil of over a million dollars. (Ibid.; "Out of the Deep," p. 18.)

After the peace of Ryswick, 1697, attacks upon the Spanish plate fleets ceased until, after a period, new circumstances arose to revive them; so that the loss of treasure in ships during the eighteenth century was greater than it had ever been before. We can only find room for a few notable cases.

EIGHTEENTH CENTURY

1702. Sir Robert Rooke, commanding a combined fleet of English and Dutch ships destined to intercept the Spanish flota from Havana to Cadiz, upon receiving confidential intelligence that the flota had altered its course to Vigo, and with the design to undertake its capture separately, left his faithful ally uninformed and stood for Vigo. The flota consisted of thirty treasure galleons with sixty millions in gold and silver, besides other valuable merchandise, the whole convoyed by a squadron of Spanish and French war vessels. Seven of the galleons were unloaded, when Rooke, sending into the harbor a detachment of fire ships, succeeded in destroying all the enemies' men-of-war and seventeen of the galleons. Seven of the galleons were sunk unburnt by the British fire and six were captured with a booty of $13,000,000 in silver. The English coins struck from this spoil are stamped "Vigo" (Humphrey's "Coins," pp. 93, 253). For this "brilliant action" Rooke had to sustain an awkward parliamentary inquiry, from which, however, he emerged with a spotless reputation and the rank of a Privy Counsellor. The Dutch account is somewhat different.

The lost galleons, containing about $47,000,000 in the precious metals, have

given rise to many attempts for the recovery of the treasure. In 1883 the Vigo Bay Treasure Co. of San Francisco (Col. John E. Gowen, of Sebastopol sunken-ship fame, president), reported that they had excavated the mud from about the "Almirante," forty-four guns, which had been commanded by Admiral Manuel de Velasco, and hoped to bring her to the surface with all her treasure. But the attempt evidently proved a failure, for we hear of a new effort, this time by a French company in 1899 ("Times," Feb. 20, 1899), which also proved unsuccessful. Reports of "unsuccess" must, however, not be taken too freely. In the salvage of treasure there are wheels within wheels.

1745. A Spanish galleon laden with about $2,500,000 in gold and silver was captured by her own mutinous crew and beached on Santos Islands, south of Madeira. (Dr. Kennedy, of Brooklyn; no further details were given.)

1743 (June). The Manilla galleon (Spanish) laden with gold and silver to the value of over $1,500,000 was captured by Admiral Lord George Anson, who had lain in wait for it at Macao. Together with the booty previously acquired on the same voyage (he had plundered Paita on his way north from Cape Horn), he arrived at Spithead a year later with $8,000,000 in specie. (Penny Encyc.)

1788. Campeachy, on the west coast of Yucatan, was sacked by the British in 1659 and by the buccaneers or pirates in 1678 and 1685. On the last named occasion the outlaws brought in a Spanish galleon richly laden with the precious metals, whose crew managed to sink her in the bay. Two hundred years later a submarine steam vessel was invented in Boston especially designed to work upon wrecked ships at unusual depths. She was placed on exhibition at Lewis' wharf in April, 1886, and sailed April 24 for the Bay of Campeachy, where "Captain Grey had designs upon the cargo of a Spanish vessel wrecked in fifty fathoms in 1788"; probably the old galleon of 1685. The result of this adventure has not trans- [illegible].

1798 (June 10). The British privateer bark "De Braak," cruising on the Spanish Main (Amarca), had captured two Spanish galleons richly laden with the precious metals. Making her way to England with her prizes, by way of the Gulf Stream and the American coast, the De Braak, with one of her prizes in tow, called the "La Plata," foundered near the Capes of the Delaware, together with her prize and all of their valuable cargoes, consisting among other treasure of 900,000 Spanish doubloons, valued at fifteen million dollars. Other accounts say five to seven million dollars. The San Francisco "Bulletin" of January 18, 1882, said forty millions. In 1814 and in several subsequent years attempts were made to locate the wreck and recover the bullion. In one of these adventures, that of 1877, Dr. Pancoast, of Philadelphia, a friend of Gen. Ulysses Grant, was interested. In 1887 a powerful steam tug and wrecking schooner, with experienced divers, a working crew of ten men and all necessary apparatus, including steam boilers, pumps, etc., arrived at the Capes. This party at once endeavored to recover the treasure, though with what measure of success is not known. The wrecking schooner was the "William P. Orr." The sunken treasure is believed to lie in about eight or nine fathoms of water. (Phila. "Dispatch," June 18, 1887.)

The "Hussar," sunk in the East River November 25, 1780, with nearly five millions of specie, and the "Lutine," sunk on the coast of the Zuyder Zee October 6, 1799, with double as much, belong indeed to this century; but not to the sunken treasures of Spanish America. So they are passed by.

1812. The Spanish galleon "San Pedro de Alcantara" was blown up this year in the Margarita channel, between the islands of Cubagua and Coche, on the Spanish Main, near Caracas, with $32,000,000 in gold doubloons and other treasure; together amounting to $67,500,000. Attempts at recovery have been made by a Baltimore company, by the Venezuelan government and by Jacob Lorillard, of New York, the last one in 1877; but without success.

1820. Story of the Cocos Island treasure. The royalists of Peru, having taken refuge in Callao from the revolutionists, dispatched their coined money, plate and jewels, valued at several million dollars, in a ship consigned to friendly hands abroad. The crew of this vessel treacherously rose upon its commander, took possession of the ship and steered for the Cocos Island in the Pacific, about 500 miles west of Panama. There the treasure was buried, awaiting a favorable opportunity for its removal and division. About twenty years ago, believing the treasure to be still hidden on the island, Messrs. Robinson, of Streatham, a suburb of London, after obtaining a concession from the government of Costa Rica, formed a company, headed by Earl Fitzwilliam and ex-Admiral Palliser, R. N., to search for the treasure. The expedition started from Panama in the yacht "Veronica" about 1904. found the island. commenced exploring, met with a serious accident from the careless use of dynamite, and returned to Panama January 4, 1904; though without reporting their success. At a more recent date, Captain James Brown, of Boston, Mass., formerly in the Australian treasure ship trade, started a new company to search for the Cocos treasure, averring that he had been with the previous party and they had found and removed part of the treasure to a small island near Samoa, though for what reason does not satisfactorily appear. Capt. Brown's party started from San Francisco in the schooner "Herman," with what adventures, real or fanciful, may be read in any one of the several romances founded on this affair.

BRAZIL

THE gold mines of Brazil, from which the well-known doblons, joes and half-joes were coined, yielded from their discovery to 1872, when slavery was abolished, about one thousand million dollars, or nearly as much as California. Yet but few literary works contain an account of this vast product of the precious metals, or of its influence upon the affairs of Europe. The placers of Minhas Geraes were opened by Sebastien Fernandes Tourinho in 1570 and proved so rich that by the year 1605 Portugal was almost bereft of her young men in their haste to reach the mines of Brazil. While these cruel adventurers were torturing and flogging the Indian natives and negro slaves to speed their work at the mines, the Dutch laid in wait off the coasts to plunder and sink their gold ships bound to Portugal. So early as 1572 the plate fleet bound from Rio to Lisbon with gold weighing half a million crusados was captured by the Dutch. (Motley, "Dutch Republic," 476). In many instances the galleons when attacked preferred rather to sink than surrender. Indeed, the entire shores of Brazil are lined with these ill-gotten and abandoned treasures.

In 1624 the Dutch captured and plundered San Salvador with immense booty. From 1630 to 1636 they sacked nearly all the Portuguese settlements on the coasts of Brazil and established Dutch colonies in their places. It was not until 1654 that the Portuguese regained possession of the country and not until 1680 that the registers of the gold ships were made public. The British and even the French snatched at the gold of Minhas Geraes. In 1650 Admiral Blake captured two Brazilian galleons in the Tagus, with half a million dollars' worth of gold (Appleton). So late as 1711 Dogne-Tronin, a French corsair, invested the city of Rio Janeiro, which he only released for a ransom of 70,000 crusados.

The most productive period of the Brazilian mines was 1730-40, when the output was about $20,000,000 a year. In the "early days" the price of corn at the mines was one pound weight of gold per bushel. The same price was paid for salt. A drove of cattle delivered at the gold mines of Goyaz and Matto Grosso sold, flesh and bone together for an ounce and a half of gold, or $30 per pound. Commodities and services were so dear that with their pockets full of gold, many even of the

free miners perished from disease and starvation. The sufferings of the slaves and cautivos are indescribable. (Macgreggor, iv, 144.)

Coinage, always a prerogative of the Crown, commenced for Brazil in 1694. As in Portugal, it lowered the value of gold bullion and correspondingly raised that of coins. On the register of a plate ship sunk near Bahia and raised toward the end of the eighteenth century, was endorsed a valuation of fine gold equal to only seventy per cent. of its value when coined. In 1694 it took two and a half times as much bullion, or uncoined gold, to purchase a given commodity as it did of coined gold. The same thing afterwards happened in the "early days" of California, when an ounce of fine bullion was commonly paid in trade at the rate of half a doubloon, or eight dollars; its value when coined being $20.67.

The gold product of Brazil, 1680 to 1803, was computed by Humboldt at 855 million dollars; Danson, same interval, 922 millions; Dr. Southey (1680 to 1807), 1,125 millions; Del Mar (1670-1880), 900 millions (History of the Precious Metals, 2nd ed'n.).

In all these estimates an allowance of from one-fifth to one-fourth is made for smuggling, secreting and misadventure; it having been a custom with the mining slaves (especially the white ones, who were mostly condemned malefactors) to secrete as much gold as they could, in the hope of being able to recover it at some future time, should they regain their liberty. But in a region so vast and at that time so desolate as the mining regions of Brazil, escape only meant death from starvation; so that most of these hoards of despair remain buried to the present day. Accident occasionally reveals one of them. As a rule it consists of an isolated nugget of unusual size, an unmarked memorial of the condemned.

No comprehensive account appears to have ever been published of the Portuguese plate-ships sunk on the coasts of Brazil and Algarve, but the insurance the convoy duty and the great discrepancy between the official accounts of gold produced, those registered in the fleet, and those received at the Casa de Fundiçao in Portugal, indicate a loss of treasure exceeding a hundred million. During the early days the number of plate-ships was rarely more than one per month, but as the mines grew in importance the number of such ships rose to nine and even twelve per month. Of these vessels one-third left Portugal for Rio in January, one-third for Bahia in February, and one-third for Pernambuco in March. Insurance on the double voyage (from Portugal with merchandise, from Brazil with gold) was eleven per cent., of which four per cent was assigned to the outward and seven per cent. to the inward, or gold-laden, voyage. Add to this, carriage to the coast, one per cent.; quinto, twenty per cent.; derechos, fifteen per cent.; commissions, two per cent., and convoy duty, five per cent.—together one-half the value of the product. To escape these exactions the miners ran every risk. They smuggled their gold from the mines in the darkness, conveyed it to the coast over mountain ranges, forest paths and across unbridged rivers. Finally they shipped it in privateers from obscure coves on the sea coast, where many of their ships were sent to the bottom by Portuguese or foreign cruisers, and where they lie to this day.

1572. One of the first, if not the very first, plate-ships from Brazil to Lisbon, laden with bullion to the amount of half a million golden crusados, was captured by the Dutch. (Motley's "Dutch Republic," p. 476.) It is a singular coincidence that the first plate-ships of Spain and Portugal should both have met with disaster.

1650. While blockading three vessels of the royal fleet which had found refuge in the harbor of Lisbon, Admiral Robert Blake, the "General," as he was titled, of the Cromwellian navy, captured no less than twenty Portuguese galleons which were returning, without suspicion of hostilities, to their home port; some of them richly laden. (Appleton, iii.)

CALIFORNIA AND AUSTRALIA

1856. The first great shipwreck of treasure from the mines of California was unhappily accompanied with corresponding loss of life. The unfortunate vessel was the American steamship "Central America," which, almost at the termination of a long voyage, within a day or two of her destined port, foundered off Cape Hatteras in a violent tempest, with a lading of gold valued at $2,400,000.

1856. The second great wreck of treasure ships since the "early days" of the modern Golden Age was that of the "Madagascar," bound from Australia to England with a valuable lading of gold dust and nuggets, almost the first auriferous fruits of the great island continent. As the vessel was never heard from again, she is supposed to have foundered at sea, with all on board. The value of her golden cargo has been variously estimated in newspaper accounts at two to three million dollars.

1859 (October). The British steamer "Royal Charter," from Australia, with four million dollars in gold, was wrecked during a frightful gale on the coast of Wales, near Moelfra or Mollfra, with all her lading and nearly all of her passengers and crew. Like the "Central America," she was within a day of her destined port, almost within sight of "home"; yet, life and fortune, all was lost. In this case a portion of the treasure has been recovered, yet there still remains enough unfound to stimulate further attempts.

1860. British steamer "Thunderer," bound from Calcutta to China, lost at the mouth of the Hoogly with $1,500,000 in treasure, part of which was of California origin.

1862. American steamer "Golden Gate," San Francisco to Panama, wrecked on shores of Costa Rica, with $1,500,000 in gold. The scene of this wreck was visited by the writer in 1877. The vessel lies totally submerged beneath the waters of a small bay with sandy shores rent by furious breakers. No account published of any attempts to recover the treasure. It is, however, believed that such attempts have been made.

1862. American ship "Phantom," San Francisco to Hong Kong, wrecked with ten million dollars in California gold. (Wreck Register.)

1863. Hamburg bark "George Sand," wrecked on Pratas Shoals, China Sea, with $13,000,000 in California gold. (Wreck Register.)

1866. Ship "Gen. Grant," wrecked on the Auckland Islands, with $15,000,000 in gold.

1871. American steamer "America," burnt in harbor of Yokohama, with about $1,250,000 in Mexican silver dollars, all of which was recovered and sent to the San Francisco (Cal.) mint.

1874. American Steamer "Japan," wrecked twelve miles from Swatow, China, with about $1,500,000 in American "trade" dollars, of which about $300,000 has since been recovered.

1901 (August). Canadian steamer "Islander," from Skagway, wrecked in fifty fathoms of water off Douglas Island, Alaska, "with a hundred passengers and crew, besides half a million (dollars) of Klondike treasure." "The purser's safe with a portion of the treasure was located by means of a steel 'cage' invented by Capt. W. M. Smith, of Milwaukee." (N. Y. "Times," July 16, 1904.)

1902. German steamer "Sakkarah," Captain Pfening, one of the Cosmos Line of Hamburg, was wrecked on the island of Huamblin, 100 miles south of Chile, with $1,500,000 in American gold coin, which was being remitted to Europe by the Chilean government. Leaving Valparaiso April 24, she soon afterward became a total loss. The circumstances are strange. No accounts have been published of attempts to recover the treasure.

HERE we must pause. Were the account to include shipwrecks of treasure involving losses merely of a few thousands, or hundreds of thousands of dollars, it might fill a volume. Man is

a dangerous animal, and the sea is silent. Although steam vessels, wireless calls for help, and other inventions and devices have tended to greatly lessen maritime risks, yet the pending war has revived them to such an extent that not until peace is re-established shall we know of the great losses of treasure which irresponsible submarines and hostile mines have sent to the bottom. The treasure wrecks of 1914-17, though they have not touched this country directly, may prove in future to have no negligible bearing upon its affairs.

Intensified Cultivation of Old Business

By W. R. MOREHOUSE, Assistant Cashier German-American Trust and Savings Bank, Los Angeles

THE great farms of our Eastern States and the corresponding large western ranches are being rapidly subdivided into smaller parcels of land. In other words, the day of the great American farms of thousands of acres is fast passing away.

Scientific use of the soil is responsible for the dismemberment of these large empires. Intensified cultivation is coming to be regarded as the secret of successful farming. With every advance in scientific farming, the old argument that quantity of production depends upon the number of acres under cultivation is contradicted.

In the light of progress, the farmer who produces only a small crop is regarded as a poor farmer. Usually his failure is due to the fact that he merely scratches over vast surfaces instead of setting the plow deep into the sub-soil of limited acreage.

As bankers, we are doing no better in our line than is the farmer who still clings to the old idea that production depends altogether on a large acreage.

For more than two decades banks have been confining their efforts to spreading out individually and collectively, with a view to wielding an influence on as much prospective business as possible, and in order to satisfy this ambition have neglected to develop and make profitable much of the business already on their books. Figuratively speaking, we have been scratching over the surface of territory so large in extent as to be unwieldy, and without cultivating the business we already have so as to make it produce more abundantly.

When a stranger moves into certain of our American cities, it is said "there is a scramble among the banks to see who shall secure his account." The object of the scramble is to "land" the stranger for an account in the least possible time, and then, we are told, "the business-getting banks dash away after other prospects." How unfortunate that in these cases no thought whatever is given as to what is to become of these depositors once they are secured. After all, under conditions like these, there is no legitimate right to complain when upon an analysis of accounts banks find hundreds that are dormant.

WHY ACCOUNTS BECOME DORMANT

MANY of the reasons for inactivity (lack of growth) in accounts may be traced back to the beginning of the account.

(1) Many accounts should never have been opened, as the step taken by the depositor at that time was merely to get rid of some tantalizing solicitor of bank accounts, and when an account is obtained under these conditions, growth is not likely to follow.

(2) Many accounts are opened on a sudden impulse to save, without any specific purpose in the mind of the depositor as to why he is saving.

(3) Accounts are opened with the best of intentions on the part of the depositor, and with a purpose for saving, but in time the depositor becomes discouraged with the progress made, and as he does not realize his ambitions as soon as he had expected, he then decides that he cannot succeed, and as a result "gives up" and stops saving.

(4) Many accounts are opened as the result of a resolution to save, but as the depositor has all of his life been in the habit of spending, he is unable to adjust himself to the new situation. His good resolve gives way before the temptations of the bargain-counter and the many attractions of various pleasures; keeping up appearances, fine dress and high living keep him from saving.

There are many other reasons why accounts are dormant, and the one that is of special interest to bankers is *our lack of interest in accounts after we have secured them.* We must admit the average person who strives to save is beset on all sides with temptations to spend. The feeble appeal which we make to "save money" is not heard above the loud shout of the merchant, who, from his bargain-counter, heralds his invitation to "spend money."

To make dormant bank accounts grow, bankers will have to take a greater interest in their customers than have banks in the past; they will have to encourage the saving of money by every means at their command, *even if they must come to the point where they will advertise.*

If in many cases stagnation in accounts is but the consequence of disinterestedness on the part of the banks in the accounts of their customers, then a remedy should be provided at once.

THE REMEDY

NOT only are our banks in great need of some effective process that will stimulate their present inactive accounts, but they are just as much in need of an effective preventive, some plan that when in operation will check this growing evil before it affects the new accounts that are opened day after day.

To prevent stagnation from setting in, new accounts must be analyzed from time to time in order to note their growth, if any has taken place. If after a reasonable time no additional deposits have been made, or in case the balance has been gradually reduced by a large number of withdrawals, without corresponding deposits, immediate action is necessary.

The German American Trust and Savings Bank at Los Angeles has a plan in operation in its savings department that does not permit accounts to become stagnant, especially its small savings accounts where home safes are loaned with the accounts. A record is made of every small savings account the day it is opened, and the information filed in the new business department. This record gives the depositor's name, his address and date the account was opened. If the account remains inactive during the sixty days immediately following the opening date, a letter, friendly and helpful in tone, is mailed to that depositor. This letter is accompanied by a piece of literature in which is recited some concrete cases where saving money has proven to be the secret of success in business and also in private life.

Letter No. 51 from "Bank Letters" is being used with gratifying results:

February 15, 1916.

Mr. T. D. Merryman,
6424 Pollard Street,
Los Angeles, Cal.

Dear Sir:

Just what success are you having with the home safe loaned to you? Perhaps you have not saved as much as you had hoped and this may be the reason we have not heard from you.

Almost daily we are asked if it is neces-

sary to fill a home safe before bringing it in to have the contents counted and the amount credited in the pass book. In every case we have recommended that the safe be brought in at frequent intervals, no matter what may be the amount saved. Doubtless you can see how this will result in material benefit to you, when we explain that interest begins only from the date the money is deposited here.

Since we give to small deposits the same careful attention given to larger amounts, let us suggest that so long as you have saved something, it is enough to bring in and place to your credit at interest.

We wish to assure you that your patronage is desired by this bank and that should you call, you will receive our best attention.

Yours very truly,

J. F. Andrews, *Vice-President.*

Enclosed with this letter is a folder entitled "What the Dimes Did." Those who do not respond on this first call are written to again in two months. And those remaining inactive after the second appeal are addressed for the third time.

Where this plan has been followed judiciously, and a letter, helpful and friendly in tone used, accompanied by some good pieces of literature, many persons have responded. All those having a sum of money already saved were first to respond; others needed the correspondence to encourage them in forming habits of saving.

While nearly all responded in time, by increasing their balances, circumstances undoubtedly prevented others from saving enough to deposit. A very small per cent. of those reached were indifferent, and because of their lack of interest closed their accounts.

Assuming that other banks will adopt a similar plan to the one outlined for keeping all new accounts alive, and then put it into operation, our attention can now be directed to accounts on our books that are already stagnant.

INACTIVE ACCOUNTS

TO segregate bank accounts that are stagnant is a very easy matter. The process simply requires that an analysis be made of the accounts of the [illegible]'s books, especially noting those that have been inactive for a period of six months or more.

Where a bank carries commercial and savings accounts it is a good plan to keep these accounts separate, one list representing checking or commercial accounts and another list savings accounts. These two classes should be subdivided. For instance, there are two general classes of commercial accounts you are to stimulate—one being all commercial accounts that when active were of value, but are now inactive, with only a small balance remaining; and still another class of commercial accounts are those that are now very active—in fact, too active to be profitable, owing to the small balance maintained, and this suggests that the balance should be built up if the account is to be made profitable.

Savings accounts should be divided into classes or lists. One list should represent all inactive savings accounts where the balance maintained is in excess of the average balance of all savings accounts on the bank's ledger. The writer's best judgment is that this list of accounts should not be stimulated, whether active or inactive. As a matter of fact, a savings account in which a large balance is maintained is enhanced in value because it is inactive, which is a good reason for permitting it to remain dormant.

The other list should contain the names of depositors whose balances are less than the average of all savings accounts carried, and, of course, providing they are dormant.

This outline leaves us two general classes of bank accounts upon which to operate; one general list comprises all dormant and very active commercial accounts; the other all inactive savings accounts with balances less than the average of all savings accounts on the books of the bank.

COMMERCIAL ACCOUNTS

THESE may be thus classified:

(1) Inactive commercial accounts with only a small balance remaining—

which accounts when active were of value to the bank.

(2) Very active commercial accounts that are unprofitable because of small balance maintained—making it necessary to have the depositor increase this balance.

The first class of dormant commercial accounts named require close attention, and in many instances a personal interview with the depositor. Although inactive at the present time and having only small balances, this class of accounts you found at one time profitable to handle, and, therefore, well worth your best effort to restore to the original condition. Too much emphasis cannot be laid on the value of using great care in dealing with these once profitable accounts.

In nearly every case a personal interview will be found more effective than a letter and advertising literature, but where an interview is not practicable, correspondence affords the next best method of approaching the depositor. In writing to this class of depositors, brevity is imperative; therefore, to be brief should be a rule with the least possible exceptions. A courteously written suggestion that you desire to be of service to the depositor, followed by a cordial invitation to him to re-avail himself of the facilities of the bank, should suffice for the first message. Or if you have installed some new convenience to depositors since the account of the person addressed became dormant, call his attention to it, and briefly show him in what way he is to be benefited. You need not refer to the account at all, if you think best not to, and all that is necessary is simply to "play up" your service, or your statement, as the case may be, assuming that you were not aware the account was small and dormant. On the other hand, you may wish to refer to the condition of the depositor's account; in which case, do so incidentally.

The second list of commercial accounts represents those opened as "accommodation accounts," or "petty household accounts," which have been at all times very active and which have never contained any appreciable balance, and therefore are unprofitable, and in some instances undesirable.

What is to be done with this class of accounts? Just now our bankers are not agreed as to the best way in which to deal with this parasitical business. Some are agreed it should be eliminated, others that it should be endured in order to retain the good will of the depositor.

In any event, it would seem that a bank is fully justified in undertaking to stimulate this class of accounts, even if it will not eliminate them. These depositors can be invited to build up their balances to the point, at least, that will enable the bank to "break even" on the account.

As any plan that will produce results is also sure to bring about the closure of some of these accounts, it is a good plan first to examine all information at hand as to the antecedents of the depositor, and also his connections; to determine whether other members of his family are patrons of the bank, before interviewing him concerning the undesirability of his account. Other points to be taken into consideration are, whether or not he has considerable financial backing, or will some day inherit a goodly estate. Then his profession might be taken into account, his business and his standing in the community. In other words, it is a safe plan to estimate first as far as possible the extent of his influence over others.

In the last analysis, not many of this class of depositors who are invited to build up their balances or close their accounts, if handled diplomatically, will undertake to injure the bank for its action. Don't dig right into them with a boastful dare that you are going to throw them out. At the same time be firm, and as far as possible let them know that you believe in them to the extent that you are confident that they can build up their balance if they will make an effort to do so. Show them that in doing so they further their own interests even more than they benefit the bank. Set up before them a goal which they are to reach, and tell them

that they can reach it if they will try, and assure them that when they do, you will reward their efforts by paying interest on their balance.

Letter No. 60 of "Bank Letters" has been used with slight alterations to meet this specific situation, and the results have been very satisfactory:

April 15, 1916.

Mr. T. D. Merryman,
6424 Pollard Street,
Los Angeles, Cal.

Dear Sir:

A recent analysis has disclosed that your account, among others, is being maintained at a loss by reason of the large number of checks which you draw against a small balance.

It may be that you are using your check book indiscriminately, and as a result drawing checks for trivial things. If so, we suggest that just a little care will correct this objectionable feature.

Probably you have never considered your account from the standpoint of profit or loss to us. Now that we have frankly called your attention to this phase of your banking business, we feel confident that you will make a sincere effort to increase your balance in the near future.

It would not surprise us if by following our suggestions you will be able to increase your balance to the point where it will be possible for us to pay you interest on your funds.

Yours very truly,
R. P. Hillman, *Cashier*.

Any person who is reasonable and fair will accept your proposition cheerfully, especially if he is made to feel that you are his friend and as such interested in his success equally with your interest in the success of your bank.

Another class of these same petty accounts is those accounts which although unprofitable while active are now dormant, with only a few dollars or a few cents remaining. There is considerable speculation as to the results that might be obtained if these accounts are awakened to activity, chiefly because they may become active as at one time and because of the small balance maintained, again expensive to handle, and it may be necessary even to close many of them. The writer's experience in dealing with this class of accounts is that it is far better to allow them to remain dormant, transferring the small balances to a special section of the ledger, taking the aggregate only into a bank's trial balance, thus eliminating so much "dead wood" from the active accounts. Should one of these depositors call later and ask to revive his account, his case may then be treated solely upon its merits, and his request granted or rejected, as in the opinion of the person handling the situation seems best for all concerned.

SAVINGS ACCOUNTS

THESE accounts may be subdivided as follows:

(1) All inactive savings accounts with balances less than the average balance of all accounts carried.

(a) All inactive savings accounts with balances under $49.99.

(b) All inactive savings accounts with balances from $50 to $99.99.

(c) All inactive savings account with balances from $100 to $249.99.

(d) All inactive savings accounts with balances from $250 to $499.99.

Assuming that it is not good business to stimulate dormant savings accounts with balances in excess of the average balance of all savings accounts carried, we will exclude them from further consideration. As a hypothetical case, we will assume that the average balance of savings accounts is found to be $500; therefore, accounts with balances ranging under this amount are subject to treatment.

The banker who has never had experience with stimulation work would do well to proceed cautiously, step by step, observing the effect of his activities as he prosecutes his work. It would be advisable for him to subdivide the list of savings accounts to be stimulated into no less than four subdivisions. Let the first subdivision represent the names of depositors whose balances are less than $49.99; a second list is made up of depositors whose balances range from $50 to $99.99; a third list from $100 to

$249.99; and a fourth list from $250 to $499.99.

Naturally, a bank can better afford to do its experimental work upon accounts ranging from one dollar to $49.99. They are of less value than larger accounts, and in case any should close as a result of the experimental work, the loss is only nominal; furthermore, the small accounts are in greater need of stimulation usually than accounts where the balances are ten times greater.

Another reason why it is desirable to subdivide the list of savings accounts to be stimulated is to enable a bank to specialize as far as practicable in its dealings with its depositors, at least as classes or segregation. For instance, write a special letter to depositors whose accounts are small and a different letter to depositors whose accounts are much larger, each letter built to fit that particular class to which it is addressed. To one class you would probably express yourself as desirous of being helpful, to the other you would convey a word of encouragement.

STIMULATION IN OPERATION

LET us consider briefly an actual case of stimulation of inactive accounts. A large trust and savings bank on the Pacific Coast has undertaken this work, and at this writing is making satisfactory progress. They have found that dormant accounts can be stimulated successfully, and made to produce large results; in fact, made to yield returns that more than compensate them for the time and money incident to the prosecution of the work. They found, upon compiling a list of dormant accounts, that they had on their books 10,720 accounts with balances ranging below $50. The accounts were not only small, but all had been dormant for more than six months, and a large per cent. of them for more than one year. To this class this bank mailed a letter December 10, 1915, enclosing with the letter a suitable piece of literature.

Of the 10,720 depositors addressed, 1,685 could not be reached, owing to incorrect addresses—many of the addresses being more than five years old. This left 9,035 depositors who evidently received the first letter. Of this number 2,030, or twenty-two per cent., responded almost immediately by making deposits which in the aggregate amounted to $17,112.36.

Sixty days later a second letter was sent, this time to those who did not respond to the first letter. Of the 7,005 to whom this second letter was mailed, 395 had changed their addresses and could not be found, which left 6,610 who evidently received the second letter. Of this number, 940, or fourteen per cent., responded by making deposits which in the aggregate amounted to $10,672.11. Thus far 278 had closed their accounts, which now had reduced the list of depositors not accounted for to 5,392. To those remaining on the list a third letter was mailed recently. Although an analysis has not yet been made to determine the results obtained, indications are that they will exceed either of the former letters.

The original list will be worked through in twelve months, in which time it is expected that at least four-fifths of those reached by mail will be induced to make deposits to their accounts and in many cases deposit several times.

Those who responded so readily to the first letter are not to be forgotten in this campaign of stimulation, as their accounts will be analyzed again just six months from the date they received the first letter, and in case they have deposited once only, they will be written to again and urged to deposit frequently. Those responding to the second letter will be treated similarly. In fact, not only will the whole list be thoroughly worked through by a systematic effort to stimulate the account of every person whose name appears thereon, but to cause those reached to make deposits at frequent intervals.

A conservative estimate of the results to be obtained from the effort expended

on this one list based upon the results already tabulated is that this list of depositors, once regarded as so much "dead timber" — unproductive and worthless—will "come back" and increase their savings balances in one year's time $100,000.

Under no circumstances are the results of any campaign to be measured by the amount of deposits secured, for when this work has once awakened thousands of depositors to the benefits which accrue to them by saving money, they will be constrained to keep up the good work months after the campaign closes. If after a year's campaign the depositors whose names are on lists for stimulation were forgotten, say, for a year or more, it is reasonable to assume that they would continue to build up their accounts.

After all dormant accounts which show a balance of less than $50 are stimulated, the next list, representing depositors whose balances range from $50 to $99.99 may be taken up, and when the work on this list has been completed, the next list, and so on until all accounts subject to stimulation have been treated.

Other methods for stimulating inactive accounts might be substituted for the one briefly outlined and prove just as effective. However, the plan suggested has been tested and found desirable, and therefore any bank adopting it will not be experimenting with its depositors.

If an intensified cultivation of bank accounts pays large dividends to the banks that have made it a part of their programme, what bank can afford to leave it out of its plans of deposit building?

Country-Wide Par Collection System

Regulations of the Federal Reserve Bank of New York

ON June 6 the following letter was issued by Benjamin Strong, Jr., Governor of the Federal Reserve Board of New York:

To the Cashier.

Sir: On May 1 we sent you a copy of the circular of the Federal Reserve Board announcing that the Federal reserve banks would establish a country-wide par collection system and stating the principles upon which it would be operated.

We now desire to advise you of the details of this collection system which will be inaugurated by the twelve Federal reserve banks on July 15, 1916, and will, on that date, supersede the present intra-district system.

Use of the Collection System Is Voluntary

No member bank is required to use the collection system, nor are any formalities or resolutions required before it may be used. A member bank may send items for collection through the Federal reserve bank regularly, occasionally or not at all; or may collect them through present correspondents or in any manner considered advantageous.

Items Which Will Be Received

We will receive from members banks

(*a*) All items drawn on member banks of all districts.

(*b*) All items drawn on non-member banks which are members of the clearing houses situated in the twelve Federal reserve cities.

(*c*) All items drawn on other non-member banks which can be collected by us at par.

Lists of the banks on which items will be recived will be furnished from time to time. As soon as arrangements can be made, drafts and collection items will also be received for credit after collection.

When Proceeds of Items Will Be Available

All items drawn on members of the New York Clearing House Association received in time for clearing will be immediately credited at par and will thereupon become available as reserve or to pay checks drawn. Such items, however, will not be received from members of the New York Clearing House Association.

For all other items immediate credit entry at par will be made, but such credit will not be available as reserve or to pay checks drawn, until the appropriate period indicated on the attached schedule has elapsed. These periods are based on the mail time required for items to reach the paying bank plus the mail time required for the paying bank to remit to the Federal reserve bank of its district. By averaging the mail time it has been possible to include all points in the country in four divisions, namely, 1, 2, 4 and 8 days. The schedule is subject to change, and for convenience it has been arranged by States rather than by Federal reserve districts.

How Items Will Be Handled

Items drawn on member banks in this Federal reserve district will be forwarded directly to such banks and charged to their accounts after sufficient time has elapsed for us to have received advice of payment. The form for such advice will be attached to our letter and must be signed and returned to us on the day of receipt.

Items drawn on non-member banks in this district will be sent to member banks wherever satisfactory arrangements are made, or may, in our discretion, be sent for remittance.

Items drawn on member or non-member banks in any other district will be sent to the Federal reserve bank of such district for collection and settlement.

Unpaid items not subject to protest must be returned on the day of receipt. Protested items must be returned not later than the day after receipt. Unpaid items must not be held for any purpose whatever except for immediate protest.

Special Routing Arrangements

If a member bank has a sufficient volume of items on certain points or districts to warrant more direct routing of such items, special arrangements to meet such conditions will be made on request, if practicable.

How Member Banks May Maintain Balances

Member banks may maintain their balances with us (a) by shipping to us at our expense properly sorted lawful money or Federal reserve notes, (b) by depositing New York exchange, or (c) by the proceeds, when available, of out-of-town items deposited for collection. Non-member banks may make remittances in the manner described in (a) and (b) in settlement of items sent direct.

This arrangement has been made in order to comply with the mandatory terms of the Federal Reserve Act to the effect that all settlements of items, whether by charge against the member bank's account or by remittance of currency or exchange must be made at full face value without deduction, without, however, conflicting with the assumption that items are payable only at the counter of the bank on which they are drawn.

Restrictions as to Indorsements

To insure direct routing this bank will not accept any item drawn on a bank located outside this district, when such item bears the indorsement of a bank located outside of this district. The other Federal reserve banks will adopt similar rules.

Service Charge

The actual cost of conducting the collection department will be assessed monthly, on a per item basis, upon the member banks depositing the items. This service charge will not for the present exceed 1½ cents per item and we hope will be considerably less. No service charge will be made for collecting items drawn on members of the New York Clearing House.

Sorting Items

In order that the service charge may be as small as possible and to expedite the forwarding of items, member banks are requested to sort their items into the following classes and list each class on a separate sheet:

(*a*) Items drawn on members of the New York Clearing House.

(*b*) Items drawn on one day points.

(*c*) Items drawn on two day points.

(*d*) Items drawn on four day points.

(*e*) Items drawn on eight day points.

They are also requested to print on their own checks and the checks used by their depositors the figure "2" (signifying Federal Reserve District No. 2), preferably in a large skeleton figure in the center of the check.

"Collectible at Par Through the Federal Reserve Bank of New York"

Member banks are entitled to place the words, "Collectible at par through the Federal Reserve Bank of New York," on their own checks and the checks used by their depositors. Your attention is called to the desirability of availing of this privilege.

Penalty for Impairment of Reserves

With the inauguration of the collection system the penalty for the impairment of reserves, provided by the Federal Reserve Act, will be imposed. You will be requested to report monthly the average reserve required to be kept with the Federal Reserve Bank. Impairment of this reserve, if any, will be ascertained by comparing this figure with the average actual reserve shown by our books. The penalty has for the present been fixed by the Federal Reserve Board at a rate of interest on the average impairment equal to two per cent. above the discount rate for 90-day paper, which is now four per cent.

Conditions Upon Which Member Banks May Use System

Every member bank sending items to us after the inauguration of this system will be understood to have agreed to the terms and conditions set forth in this circular and to have thereby specifically agreed that in receiving such items the Federal Reserve Bank of New York will act only as the collection agent of the sending bank, will assume no responsibility other than due diligence and care in forwarding such items promptly, and will be authorized to send such items for payment direct to the bank on which they are drawn or to another agent for collection, at its discretion.

Co-operation of Members Desired

The new collection system is based upon the provision of the Federal Reserve Act, and its details, as herein outlined, are the result of a long period of careful study of the problems involved and of experience gained in operating the existing intra-district system. The present plan for the new system is subject to such future changes as experience gained in operating it may show are advisable. It is our desire that it shall be conducted in such a manner as to render a valuable service to those who use it, and to this end your

co-operation is requested and any suggestions you may wish to make for its improvement will be welcomed. We will be glad to answer any inquiries in regard to the details of the plan, and we hope that wherever possible they will be made by personal call at our office.

Respectfully,

BENJ. STRONG, JR.,

Governor.

SCHEDULE SHOWING WHEN THE PROCEEDS OF ITEMS WILL BECOME AVAILABLE

Immediate Credit—

Members of Clearing House in New York.

One Day After Receipt—

Members of Clearing Houses in Boston, Philadelphia, Richmond.

Two Days After Receipt—

Members of Clearing Houses in Cleveland, Chicago, Atlanta, Minneapolis, St. Louis, Kansas City.

Banks in Connecticut, Delaware, District of Columbia, Maine, Maryland, *Massachusetts, New Hampshire, New Jersey, *New York, *Pennsylvania, Rhode Island, Vermont, *Virginia.

Four Days After Receipt—

Members of Clearing Houses in Dallas, New Orleans.

Banks in Alabama, Arkansas, Florida, *Georgia, *Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, *Minnesota, Mississippi, *Missouri, North Carolina, *Ohio, South Carolina, Tennessee, West Virginia, Wisconsin.

Eight Days After Receipt—

Banks in Arizona, California, Colorado, Idaho, *Louisiana, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming.

*Except members of clearing houses in Federal Reserve cities, referred to in first column.

Nation-Wide Thrift Movement

ON every side we see signs of a great awakening. Editors in their newspapers are pointing out the necessity for conservation, and clergymen in their pulpits are preaching the folly and criminality of waste. The idea that greater thrift is essential in private life, in business life, in the home, the school and the workshop is slowly but surely taking root.

In order to foster and encourage this great work, the American Bankers' Association has invited G. Y. Clement, originator of the idea of observing February 3 of each year as National Thrift Day, and Chief of Staff of the Collins Publicity Service of Philadelphia, to co-operate in the Nation-Wide Thrift Movement. With this end in view, Mr. Clement has recently perfected a text-book for use in the inauguration and operation of a community thrift campaign. This text-book, or Plan "A," as it is called, is at once a most unique and original plan. As far as a thrift campaign is concerned, it can have no serious rival; inevitably it must make and maintain a position of its own.

The following paragraph is taken from the Introduction to the Text-Book:

Effective thrift campaigning cannot be accomplished by fits and jerks, by spasmodic newspaper articles or occasional advertising. Interest and enthusiasm must be aroused, and when aroused must be maintained for an appreciable length of time. There must be well-written articles of an interesting and instructive nature in the press, discussion of ways and means, and exchange of ideas. There must be inspiring meetings for children in the schools and for adults in the public halls. Thrift must be made the general topic of conversation.

Business and professional men are always willing to co-operate in a movement which aims to promote the welfare of the community, and when these men work together through organization with the local clergy, the school principals and teachers, the officers of the Y. M. C. A. and other organizations, a mighty force is at work. All the strength, intelligence and good citizenship of the community are united in a common cause, and cannot fail to be successful.

Starting with the first informal meeting of bankers gathered together to discuss the question of participation in the thrift movement, Plan "A" outlines each

A SMALL LEAK WILL SINK A GREAT SHIP

TOO MANY PEOPLE ARE APT TO NEGLECT THE LITTLE THINGS. THEY FAIL TO REALIZE THAT OUT OF NICKELS AND DIMES MANY VAST FORTUNES HAVE BEEN MADE. IT IS THE LITTLE THINGS THAT TELL THE TALE - THE LITTLE EXTRAVAGANCES, THE LITTLE USELESS EXPENDITURES HERE, THERE AND EVERYWHERE.

TO PRACTICE THRIFT IS NOT TO BE MEAN OR MISERLY - BY NO MEANS - IT IS MERELY TO STOP THE LEAKS.

REMEMBER THE WORDS OF BENJAMIN FRANKLIN ABOUT THE GREAT SHIP, AND LOOK AFTER THE NICKELS AND DIMES. WHEN THEY HAVE GROWN INTO DOLLARS DON'T TRUST THEM TO LOOK AFTER THEMSELVES BUT PUT THEM INTO A BANK FOR ABSOLUTE PROTECTION. AND WHEN TROUBLE COMES THEY'LL LOOK AFTER YOU.

DON'T WASTE - SAVE!

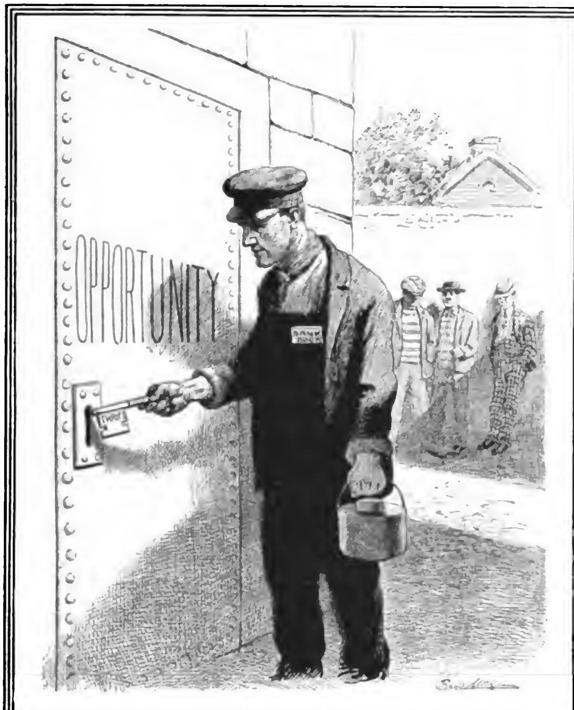
REPRODUCTION OF ONE OF THE SERIES OF HAND-LETTERED LOBBY CARDS TO BE CHANGED BI-WEEKLY—EXECUTED IN TWO COLORS; SIZE 28-INCHES BY 36-INCHES, AND DISPLAYED IN A MAHOGANY-FINISHED FRAME

successive step and provides for every separate move throughout the entire campaign. Beyond a doubt Mr. Clement and his staff have anticipated everything.

In simple, forceful language, Plan "A" points out how a permanent local association, the preliminary efforts of which shall take the form of a six months' thrift campaign, may be organized in any city, town or village in the land. It furnishes an appropriate constitution and by-laws for this local association, states the duties of the secre-

tary, and outlines in detail the various committees required in order to procure the co-operation necessary to make the campaign a success. The work of each of the committees has been anticipated and provided for in every possible way. Nothing remains for them to do but to put the perfected plan into operation and with the material supplied get the campaign under way.

A careful analysis of the text-book indicates that the two great objects sought for and accomplished are simplicity and permanency. Simplicity because every consecutive step is pointed out and every move made clear; permanency because the results will not only be the actual practice of thrift to a greater degree by all people, but the establishment of lasting thrift associations through the country.



While wasteful idlers in the background bewail "bad luck" and "ill fortune" the industrious workman with the key of Thrift opens every door of Opportunity.

CARTOON PICTURES DRAWN BY AMERICA'S FOREMOST ILLUSTRATORS —AVAILABLE IN FULL SIZE (18-INCHES BY 24-INCHES) FOR WINDOW DISPLAY OR IN 3-COLUMN CUTS FOR NEWSPAPERS

In preparing this text-book, Mr. Clement has shown a breadth of vision in foreseeing the great good to be derived from permanent local thrift associations —composed not necessarily of bankers, but more especially of public-spirited citizens—all over the United States. When affiliated with some national body, as he suggests, what a force this will be!

Plan "A" provides a scientific publicity movement, initiated by bankers and then permanently continued by public-spirited citizens in every walk of life. It points the way by which may be secured the necessary co-operation of the local newspapers, the clergy, employers of labor, principals of schools,

scoutmasters of boy scouts, etc. These, co-operating in turn with the local business association, board of trade, the Y. M. C. A., and women's club, represent a force that cannot fail to exert a mighty influence for good on behalf of any community.

It is not the purpose of Mr. Clement

Genesis 41: 47-57. Joseph Gathers The Corn.

It would be difficult indeed to find a more fitting theme than this for a sermon on Thrift. During the seven years of plenty, Joseph husbanded the grain, with the result that when the lean years came the storehouses and barns were filled. In Egypt there was bread for all, but in other lands, where no preparation had been made for the future, the people were gaunt with want and famine.

In times of prosperity, when life glides pleasantly along, Thrift warns us, as Joseph warned the Egyptians, that times of depression may follow. It warns us to prepare for the uncertainty of life, for sickness and other emergencies, and also for old age. No one shall say what the morrow may bring. Therefore while there is yet time we should conserve our health, strength and resources, so that if the emergency should arise we shall not be found like Jacob with stores exhausted, but like Joseph with a reserve upon which to draw.

John 9: 4. The Night Cometh When No Man Can Work.

When the day's work is over and the sun has sunk in the west, the tired laborer who believes in honest work well done, goes contentedly to his home. He is one day nearer to the goal of his ambition, one day nearer to the harvest of his hopes and of his dreams.

Night is the time for rest; it brings freedom and repose. Ere the day has quite departed, in that peaceful season when the world prepares for sleep, what can we better do than give thanks for blessings received and quietly contemplate the future?

THIS REDUCED COPY OF A PAGE FROM THE BOOK OF "SUGGESTIONS FOR THRIFT TEXT" FOR CLERGYMEN, INDICATES THE COMPLETENESS OF THE CAMPAIGN — NO POSSIBLE HELP BEING OVERLOOKED

merely to show people how to eliminate waste. Plan "A" provides for the treatment of thrift in all its broad scope, especially in its vital relation to character, health, success and lasting happiness. It dwells always upon the constructive side of the subject—of the good things that thrift stands for in the way of happy homes, contented minds, and increased earning power. It demonstrates that to the extent that citizens prosper so shall the community at large prosper also and become more cultured, more refined, and a better place in which to live.

The literature that forms part of Plan "A"—which ranges from newspaper advertisements to editorials, from manuscripts for public lectures to suggested letters—is of a very high standard and of exceptional quality throughout. The lobby cards are especially distinctive.

The cartoons are the work of one of the foremost newspaper cartoonists in the country and are of a high order of artistic merit.

In view of the fact that the clergy all over the land are taking an intense interest in the thrift movement, and are everywhere preaching thrift from the pulpit, there is also furnished with the literature that forms part of Plan "A" a booklet containing suggestions for sermons. Reproduced herewith is a page from this booklet.

Complete to the last detail, Plan "A" shows evidence of much careful thought and a vast amount of preparation. It has been recommended by the American Bankers' Association and will commend itself to every banker who gives it his consideration. The text-book demonstrates how easily a group of public-spirited citizens may be banded together in a productive thrift campaign, and how with a little effort and a small expenditure of money, the seed of a bountiful harvest for the community at large may be sown.

Plan "A" puts the banker shoulder to shoulder with the people, and bridges the gulf that too often exists between him and them. As a result of its campaign of education it creates greater confidence in both the bank and the banker and clears the track for great results.

Banking and Commercial Law

CASE COMMENT AND REVIEW

Can a Bank Cashier Steal His Own Salary

IT is the custom of most banks to elect their executive officers from year to year, and usually for one year. At times they hold over without the formality of election, but these cases are rare. Owing to the dissensions that are bound to arise in the best of regulated concerns, the services of an officer may be undesirable, and he refuses to resign. He may take the position that he is under contract and willing to perform his part of the contract. He is then forced out of office. Is he entitled to the balance of the salary for the term elected?

In the current number we present a case of this kind. A bank cashier was elected to such office for "the ensuing year," the election taking place in February. His services being no longer desired, and refusing to resign, he was dismissed by the board of directors. He served the bank for the three months' grace given him, and on the last day with the bank took the balance of the year's salary, deposited it in another bank in his name, and action was brought against him for embezzlement. The law characterizes such an act as unlawful.

It is within the rights of a board of directors to remove a cashier whose services are no longer desired. It is a declaration of sound policy on the part of the state in respect of such offices of trust. As an officer he was a silent party to this right of removal. The board had the right to discharge him even though he was elected for the ensuing year. The taking of the funds which he claimed as his unpaid salary constituted embezzlement, for embezzlement consists of appropriating to one's own use the money or property of his employer which shall come under his control or into his possession. The cashier testified that he did this without the knowledge or consent of his superiors, and by virtue of such act became an embezzler in the eyes of the law.

If he was under contract as he seemed to believe, and the breaking was not of his choosing, and he was ready, willing and competent to carry out his part, his redress lay in the direction of a suit for breach of contract, which breach could not be cured by helping himself to the funds in the till on the last day of his employment. (Wells vs. National Surety Co., in this issue.)

Leading Cases

Discharge of Cashier

MISSOURI

Employment of Cashier — Malicious Prosecution—Term of Service

St. Louis Court of Appeals, Missouri, March 7, 1916.

WELLS VS. NATIONAL SURETY CO.

Bank directors before the expiration of the year for which a cashier was engaged terminated his employment. On the last day of his service the cashier, who insisted the directors had no right to terminate the employment, removed from the bank funds sufficient to pay his salary for the remainder of the year, and deposited them in another institution, refusing to make restitution

when it was demanded. Rev. St. 1909, Sec. 1112, gives the directors of a bank authority to discharge any officer at pleasure, while Sec. 4550 declares that, if any officer, agent, clerk, servant, or persons employed shall embezzle or convert to his own use without the consent of his employer any money which shall come into his possession by virtue of his employment, he is guilty of embezzlement. *Held*, that the cashier was guilty of embezzlement under the statute regardless of his motives in taking the funds, and, so having been charged with embezzlement, he cannot recover in an action for malicious prosecution, those charging him having probable cause, though the prosecution was dismissed.

(184 S. W. Rep.)

ACTION by Charles P. Wells, Jr., against the National Surety Company, a corporation, and others. From a judgment for defendants, plaintiff appeals. Affirmed.

STATEMENT OF FACT AND OPINION

NORTONI, J.: This is a suit for damages on account of an alleged malicious prosecution. At the conclusion of the evidence the court peremptorily directed a verdict for defendant, and plaintiff prosecutes the appeal.

It appears that plaintiff, Wells, was cashier of the Citizens' Bank of Hayti, and defendant National Surety Company, a corporation, the surety on his bond as cashier. Defendant Fred Morgan is the president of the Citizens' Bank of Hayti, while defendant Robert W. Inman is the claim adjuster of the National Surety Company. The records of the bank in evidence disclose that plaintiff, Wells, was elected cashier of the Citizens' Bank of Hayti in February, 1911, for the "ensuing year," at at a salary of $75 per month, whereupon his bond as such was made by defendant surety company. About three months subsequent thereto the board of directors of the bank by resolution requested plaintiff's resignation as cashier, and this he declined to submit. Thereupon the board of directors of the bank passed a resolution to the effect that his services as cashier of the bank should terminate on May 3, 1911.

Plaintiff remained in charge of the bank and its funds until the evening of May 3d, but insisted all of the time that he was employed for one year, inasmuch as the record of the meeting of the board of directors made in February recited his employment for the ensuing year. Plaintiff offered to continue in the service of the bank for the term of one year from the date of his appointment in February, and insisted the board was without authority to discontinue his employment as it did, to take effect on May 3d. In this view the plaintiff insisted that he was entitled to a year's salary, and on the close of business May 3d he took out of the funds of the bank $600 to compensate the remainder of his year's salary at $75 per month. Plaintiff deposited this money in another bank to his personal credit, and thus converted it to his own use. Thereafter the officers of the bank notified defendant surety company to the effect that plaintiff had converted $600 of the bank's funds to his own use, and defendant Inman, claim adjuster for the surety company, immediately came upon the scene. Inman, together with defendant Morgan, president of the bank, and plaintiff, had a meeting, in which plaintiff was urged to surrender the amount of $600 thus taken from the funds of the bank and pay it over to the bank, but plaintiff declined to do this. The evidence tends to prove that thereupon defendant Inman, acting as the representative of the surety company, together with defendant Morgan, president of the bank, called upon the prosecuting attorney of Pemiscot county and laid the facts before him, and, moreover, that they induced the filing of an information against plaintiff, Wells, by the prosecuting attorney, charging him with the embezzlement of $600 of the bank's funds.

Plaintiff was taken into custody, entered into a recognizance for his appearance in court, and appeared at several terms of the court to which the case was

continued at the instance of the prosecution. Finally the prosecution for embezzlement was dismissed by the state, and plaintiff then instituted this suit against defendant surety company, its agent, Inman, and Morgan, president of the bank, as for a malicious prosecution. Manifestly the court properly directed a verdict for defendant because it appears beyond peradventure that the prosecution was instituted on probable cause therefor. It is certain that the board of directors of the bank was authorized to discontinue plaintiff's services as cashier on May 3d as it did, and this is true notwithstanding the record of the board made in February to the effect that he was employed as cashier for the "ensuing year." Section 1112, R. S. 1909, which is parcel of the charter of the bank, provides: "The directors may appoint and remove any cashier or other officer or employee at pleasure." This is a declaration of sound public policy on the part of the state in respect of such offices of trust. Of this statute plaintiff is deemed in law to have had full knowledge at the time of his employment in February, and it is certain that it entered as a silent factor into the contract entered into between the bank and himself for his services as cashier. The board of directors were fully authorized to discontinue his employment as it did on May 3d, and plaintiff's salary was fully paid to that date. Therefore, when plaintiff seized upon the opportunity attending the last day of his employment in the bank to take from its funds $600 as if to compensate himself for nine months' unearned salary without the knowledge or consent of the bank and converted this money to his own use, he became an embezzler of that amount in contemplation of law. It is essential to make out a case as for malicious prosecution: First, that the prosecution complained of has terminated without a conviction; and, second, that the prosecution was instituted maliciously; and, third, without probable cause.

It is true the prosecution for embezzlement appears to have been terminated through dismissing the charge against plaintiff and it is true, too, that malice may be inferred from the want of probable cause; that is, from the facts and circumstances attending the situation if it sufficiently appear that the prosecution is without probable cause. But, if probable cause for the prosecution appear, then no recovery may be had in any event in a civil action for damages on account of such prosecution so instituted on probable cause. The statute on embezzlement (Sec. 4550, R. S. 1909) provides:

> If any officer, agent, clerk, servant, or collector of any incorporated company, or any person employed in any such capacity, shall embezzle or convert to his own use . . . without the assent of his master or employer, any money . . . which shall have come into his possession or under his care by virtue of such employment or office, he shall, upon conviction, be punished," etc.

Plaintiff in his testimony states the fact to be that he drew the $600 out of the moneys of the bank in his charge and under his control as cashier, and that he did this without the consent or knowledge of any officer of the bank save himself; also that he did not ask permission of any one connected with the bank concerning it. Moreover, plaintiff testifies:

> I put it [the money] to my own use, deposited it there [in another bank], and converted this amount of money to my own use there at that time.

Obviously there is no question for the jury to consider under such testimony as this: for plaintiff confesses that he converted the funds according to the terms of the statute above quoted. It is true, under another clause of the same section of the statute, that pertaining to taking and making away with or secreting funds or property "with intent to embezzle," the question of intent is one for the jury. But under the clause of the statute first above quoted the Supreme Court has several times declared that the statute forecloses the matter of criminal intent when it appears that the agent or employee took the funds of the corporation and converted the same to his own use without the assent of his employer. So much appears from the

express and pointed admissions in plaintiff's testimony, for he says in so many words that he took the $600 without the knowledge or consent of his employer or without the knowledge of the officers of the bank, and with the intent to convert it to his own use, which he did at the time, and indeed persistently continued to hold it thereafter. In State vs. Silva, 130 Mo. 440, 463, 464, the Supreme Court considered the question in judgment here under the provisions of the statute first above referred to, and declared the law as above indicated. The court said:

The only intent required to make the act of conversion of the corporation's funds felonious was the intent to convert said moneys to defendants' own use without the assent of his employer. It was clearly within the power of the Legislature to declare the unlawful appropriation of an employer's money by his agents and servants a crime. When the agent or servant takes his employer's money with the intent to convert it to his own use without the master's knowledge, that moment he is guilty of the criminal intent denounced by the statute. The law will not enter upon the inquiry with him as to his further intention of returning the money at a later period or making good his shortage when called to account. . . . . When an act forbidden by law is intentionally done, the intent to do the act is the criminal intent which imparts to it the character of the offense, and no one who violates a law which he is conclusively presumed to know can be heard to say he had no criminal intent in doing it.

This same subdivision of the statute under which defendant was informed against by the prosecuting attorney and charged with embezzlement was more recently expounded by the Supreme Court in the case of State vs. Lentz, 184 Mo. 223, 237, 241, 83 S. W. 970, and the same view expressed concerning the intent essential to sustain a conviction under it. Indeed, the statute seems to be clear touching this, in that it denounces the act of an agent converting to his own use the money of his employer under his control without the assent of the employer. It appears conclusively from plaintiff's testimony that he converted $600 belonging to the bank to his own use without the consent of the bank, and, as the law declares such to be an offense, it is obvious that the prosecution was instituted on probable cause therefor, and the court very properly directed a verdict for defendants.

The judgment should be affirmed.

It is so ordered.

184 S. W. Rep. 474.

Holder For Value

MASSACHUSETTS

Supreme Judicial Court of Massachusetts, Suffolk, Jan. 24, 1916.

NATIONAL INVESTMENT AND SECURITY CO. VS. COREY, ET AL.

Defendants, to whom plaintiff was not indebted, and with whom they had no business relations, having received its check, payable to them, from a third person, in payment of his pre-existing debt, were "holders for value," as defined by Rev. Laws, Chap. 73, Sec. 42, as to negotiable instruments.

ACTION of contract for money had and received by the National Investment & Security Company against William K. Corey and others. The municipal court of Boston found for defendants, and reported the case to the appellate division, which reversed the finding, and ordered judgment for plaintiff, and defendants appeal. Reversed, and to be entered for defendants.

STATEMENT OF FACT AND OPINION

CARROLL, J.: The agreed statement of fact shows that two checks,, one dated April 26, 1913, for $75, and one April 28, 1913, for $50, both payable to the defendants and signed by the National Investment & Security Company by Charles E. Wal-

ker, treasurer, as maker, were delivered, each on the day of its date, to the defendants by H. C. Wilson, who was indebted to them, with instructions to credit the checks to his account. This was done, and they were collected by the defendants in the usual course of business. The plaintiff now seeks to recover from the defendants the amount of the checks and interest thereon, on the ground that its treasurer had no authority to sign and deliver them.

The plaintiff was not indebted to the defendants and had no business relations with them. The checks were received by the defendants from Wilson in part payment of his pre-existing debt, and the defendants were therefore holders for value. R. L. c. 73, Sec. 42; Boston Steel & Iron Co. vs. Steuer, 183 Mass. 140.

Although the defendants are the payees of the checks, they did not receive them from the plaintiff or Walker, its treasurer. The checks came to the defendants from Wilson, to whom, presumably, they were delivered as completed instruments, and they came to the defendants without notice of any infirmity. The payee of a check under such circumstances is a holder in due course. Liberty Trust Co. vs. Tilton, 217 Mass. 462; Boston Steel & Iron Co. vs. Steuer, supra. See also Fillebrown vs. Hayward, 190 Mass. 472.

The defendants are not "immediate parties," under R. L. c. 73, Sec. 33, making such parties to a negotiable instrument chargeable with notice of the conditions or limitations attached to it. As pointed out by Rugg, C. J., in Liberty Trust Co. vs. Tilton, supra, at page 464, these words in the section refer to those who are "immediate" in the sense of knowing or being held to know of the conditions or limitations placed upon the delivery of the instrument. "A payee who is a holder in due course is not an immediate party in the sense of that section."

The plaintiff relies on Tower vs. Stanley, 220 Mass. 429, and Newburyport vs. Fidelity Ins. Co., 197 Mass. 596. In the first of these cases, while the holder of the note was a holder for value, he was not a holder in due course, because when the instrument was delivered to him it was in blank as to the payee. Having purchased the note with notice on its face, that when delivered by the maker it was incomplete, he was put on inquiry and was chargeable with the duty of ascertaining the authority of Williams from whom the note was received. In the case at bar, the checks when delivered to the defendants were completed instruments. Their names were already inserted as payees and the checks were regular upon their face.

In Newburyport vs. Fidelity Ins. Co., supra, the defendant received, in payment of the individual debt of the city's treasurer, checks of the city of Newburyport. It was therefore apparent that the treasurer was using the funds of the city to pay his own debt. In the present case no such circumstances appear. Wilson delivered to the defendants a completed check payable to them. There was nothing in the character of the instrument to charge them with knowledge or to put them on inquiry. See Johnson & Kettell Co. vs. Longley Luncheon Co., 207 Mass. 52, 56, 92 N. E. 1035.

Judgment reversed. Judgment to be entered for the defendants.

111 N. E. Rep. 357.

Trust Funds

Indiana

Liability of Banks—Duty of Bank Administrator's Funds

Appellate Court of Indiana, Division No. 1, March 29, 1916.

MIAMI COUNTY BANK VS. STATE EX REL. PERU TRUST CO. ET AL.

An administrator, or other person having charge of trust funds, may deposit them in bank to his personal account and check them out in the usual course of business, and the bank, though knowing the character of the funds deposited, is not liable to the beneficial owner, in the absence of knowledge on

its part that the funds are being misappropriated or misapplied by the trust officer.

Where a bank, with knowledge that funds deposited with it are trust funds, applies them to the payment of the personal debt of the depositor due the bank, or knowingly accepts from him payment of his individual debt out of such funds, or knowingly assists or permits the depositor to misuse or misapply them, it is liable to the beneficial owner to the amount of the funds misapplied or misused.

That a bank has knowledge of the character of trust funds deposited with it, though an important circumstance calling for caution in honoring checks on the deposit, is not sufficient, of itself, to create liability in the bank for the safety of the funds as against the acts of the depositor, or to cause the bank to require him to place the funds in an account separate from his individual account.

A bank in which an administrator deposited funds of the estate and which applied part of them to his individual debt to it and allowed him to check out the rest with knowledge that he was misapplying them, could not be held jointly liable as a principal with the administrator on his bond, which it did not execute.

ACTION by the State on the relation of the Peru Trust Company, administrator, against the Miami County Bank and others. From a judgment for plaintiff, the named defendant appeals. Judgment reversed, with instructions.

STATEMENT OF FACT AND OPINION

FELT, P. J.: This is an appeal from a judgment of the Miami circuit court, rendered against appellant and John F. Perry as principals and William and H. G. Ballard and Maryland Casualty Company as sureties, in favor of Peru Trust Company, administrator de bonis non of the estate of Fred M. Perry, deceased.

The errors assigned and relied on for reversal of the judgment are, in substance, as follows: (1) Overruling appellant's demurrer to the complaint of appellee, State ex rel. Peru Trust Company Administrator, de bonis non, etc. (2) The overruling of appellant's separate demurrer to each of the first, second and third paragraphs of the cross-complaint of Maryland Casualty Company. (3) Overruling appellant's motion for a new trial. (4) Overruling appellant's motion to modify the judgment. (5) Error of the court in each separate conclusion of law numbered, respectively, 1, 2, 3, 4 and 5. (6) Overruling appellant's motion in arrest of judgment.

Some of the undisputed facts of the case are as follows: On November 9, 1912, John F. Perry was appointed administrator of the estate of Fred M. Perry deceased, and qualified as such administrator, and gave bond in the sum of $100, with appellees William and H. G. Ballard as sureties thereon. On March 14, 1913, said administrator gave an additional bond in the sum of $5,000, with appellee Maryland Casualty Company as surety. From 1911 until the trial of this case appellant was a partnership engaged in the banking business, and John F. Perry had a deposit and checking account with such bank. On April 9, 1913, said administrator received a draft for $4,250 from a railway company, payable to the order of "John F. Perry, administrator of the estate of Fred M. Perry, killed near Traft, Cal., November 9, 1912." On April 17, 1913, said John F. Perry indorsed said draft "John F. Perry, Administrator," and placed it with appellant for collection, and on said day appellant gave John F. Perry credit on his individual checking account for the face value of the draft. On said day John F. Perry owed appellant $2,300, and before making said deposit had to his credit in his checking account the sum of $11.41.

On May 16, 1913, appellant applied on the aforesaid indebtedness of John F. Perry $1,944.39 of said deposit, by charging that amount against his checking account. The balance of the funds to the credit of Perry were checked out by him for his individual use from time to time, and on September 13, 1913, his checking account with appellant was overdrawn $30.99. On June 11, 1914,

John F. Perry resigned as such administrator, without accounting to the estate for said funds, and appellee, the Peru Trust Company, was appointed administrator de bonis non of the aforesaid estate, and thereupon brought this suit against John F. Perry, William Ballard, H. G. Ballard, Maryland Casualty Company, Miami County Bank and Willard F. Pearson, receiver of the estate of John F. Perry.

The first paragraph of the complaint is against John F. Perry and William and H. G. Ballard, sureties on the bond for $100. It avers the execution of the bond for $100, the receipt and deposit of the funds by John F. Perry, in the Miami County Bank, and charges that, while acting as such administrator, he unlawfully embezzled and appropriated said money to his own use, and has wholly failed and refused to turn over the same or any part thereof, to persons entitled to receive the same; that said Perry and his sureties on said bond are liable for the full amount of said money so embezzled as aforesaid with 10 per cent. penalty, a copy of which bond is filed with and made a part of the complaint.

The second paragraph of complaint is against John F. Perry, Maryland Casualty Company and Willard F. Pearson, receiver, "On the second bond given by John F. Perry as administrator" in the sum of $5,000.

The third paragraph of complaint is against John F. Perry, Maryland Casualty Co., Willard F. Pearson, receiver, of John F. Perry and appellant. It alleges Perry's appointment as administrator, the execution of the bond for $5,000 with Maryland Casualty Company as surety thereon, and alleges the condition of the bond to be that Perry should faithfully discharge his duties as administrator according to law, and the bond is made a part of the pleading by exhibit. It contains substantially the same averments as the first paragraph as to the deposit of the funds by Perry and the wrongful application and embezzlement of the trust funds, and in addition thereto charges that said Perry and appellant —

"unlawfully conspired together for the purpose of converting and appropriating said money, . . . and on or about the 17th day of April, 1914, . . . did in fact convert and appropriate said money . . . to their own joint use and benefit . . . That by reason of the foregoing, the terms and conditions of the bond aforesaid have been broken and violated and the defendant, John F. Perry, Maryland Casualty Company, and the Miami County Bank are liable to pay to the relator the full amount of the money so converted and appropriated by the defendant Perry, together with interest thereon from April 17, 1914, and 10 per cent. penalty. . . . Wherefore this relator demands judgment against each of said defendants for the sum of $5,000 . . . and for all other just and proper relief in the premises.

The Maryland Casualty Company answered the complaint by general denial, and also filed a cross-complaint in three paragraphs against appellant.

The first paragraph of the cross-complaint of the Maryland Casualty Co. avers, in substance, that appellant knew that John F. Perry had and held said $4,250 as such administrator, and knew that the same belonged to said estate; that with such knowledge it accepted the same as deposit, and knowingly and wrongfully placed the same to the credit of said Perry on his individual account, and knowingly and wrongfully aided and abetted him in diverting, misappropriating and commingling said trust funds with his individual funds, and thereafter with such knowledge suffered and permitted said Perry, from time to time, to withdraw said money from the bank on his individual checks for his own use and benefit; that by reason of the wrongful assistance so given Perry by appellant he diverted, commingled and misappropriated all of said funds to his own use, and embezzled the same; that by reason of the acts aforesaid appellant became and is jointly liable with said John F. Perry, as principal, for the payment of the amount of money so received and misappropriated as aforesaid.

The second paragraph of cross-complaint contains substantially all of the averments of the first, and also alleges the execution of the aforesaid bond for $5,000; that said Perry resigned as administrator, and failed to account for

said funds, the details relating to the receipt, deposit and misuse of which was alleged; that cross-complainant was only a surety on said bond; that John F. Perry was indebted to appellant when he received said trust funds, and it wrongfully applied $3,500 of said funds to the payment of his individual debt and thereafter wrongfully aided and abetted said Perry in commingling said trust funds with his own money, and with knowledge of the character of said funds suffered and permitted him from time to time to withdraw the balance of said funds for his individual use, whereby he embezzled the same.

The third paragraph is substantially the same as the second, except it is averred that appellant is a corporation, duly organized under the laws of the state of Indiana and doing general banking business.

Each paragraph of cross-complaint prays that appellant be held jointly liable with John F. Perry as principal in accounting for and paying the amount due on said trust fund; that the property of appellant and said Perry be first exhausted before cross-complainant is compelled to pay any part of the amount found due the relator, Peru Trust Company, administrator.

Appellant demurred to the complaint, and to each paragraph of the cross-complaint for insufficiency of facts alleged. The demurrers were overruled, and exceptions taken. Issues were joined on the cross-complaint by general denial.

Appellant has waived any question on the demurrer to the complaint by failing to set out the demurrer or the substance therefore, and by failing to set out any memoranda of objections to the complaint, as required by the statute. However, in so far as the sufficiency of the facts relied upon for a recovery is concerned, substantially the same questions arise on the exceptions to the conclusions of law that are discussed by appellant in considering the sufficiency of the complaint. Most of the facts relating to the transactions involved are not controverted. The undisputed facts above set out and those alleged in the pleadings are, in substance, stated in the finding of facts.

Omitting the formal and undisputed facts aforesaid, the finding is, in substance, as follows: That John F. Perry resigned as administrator on June 11, 1914, his resignation was accepted by the court, and on the same day appellee the Peru Trust Company was duly appointed administrator de bonis non of the estate. That John F. Perry was principal, and Maryland Casualty Company surety, on his bond for $5,000, and no part of the funds of the estate came into the possession of said surety company.

That John F. Perry on June 16, 1911, opened an account with appellant and deposited $6,000, and since then has continued to have an account with appellant. That from June 16, 1911, to October 7, 1912, he deposited and checked out more than $34,000, and at the latter date had to his credit $1,039. That he owned valuable real estate in the town of Amboy, where he lived and the bank was located. That on October 8, 1912, he presented to the bank, for the purpose of obtaining a loan, a statement, showing his net assets to amount to $15,000. That appellant believed him to be truthful, honest and solvent. That said Perry at no time had an account with the bank as administrator. That in January, 1914, in a proceeding in court, John F. Perry was found to be insolvent, and Willard F. Pearson was appointed receiver for his estate. The facts in regard to the receipt, deposit and disposition of the draft for $4,250 are found as alleged, and likewise the execution of the two bonds given by John F. Perry. That on April 17, 1913, John F. Perry unlawfully converted and appropriated said sum of $4,250 to his own use, is now insolvent, and has wholly failed, neglected and refused to turn over to appellee, the relator, any part of said funds. That appellant desired Perry to obtain possession of the funds with which he could pay his indebtedness to the bank, and Perry desired control of the money to use in his individual business, and on April 17, 1913, appellant and said

Perry, knowing the draft belonged to the estate of Fred M. Perry, deceased—

"conspired and confederated together for said purpose, and mutually agreed that the proceeds of such draft should be by said bank placed to the credit of the individual deposit account of said Perry, and pursuant to said agreement, the proceeds of said draft were so deposited and $1,944.39 thereof was, by said bank, applied on the individual indebtedness of said Perry, and the balance of said proceeds were withdrawn from said bank and used by said Perry in his individual business.

That appellant, with the knowledge aforesaid, placed the amount of said draft to Perry's credit in his individual account with the bank and commingled it with his individual funds, and thereby enabled him to withdraw it on his individual check for his own use, and by reason thereof the whole sum was converted to his individual use and squandered. That during all said time John F. Perry was making deposits in said bank in his personal account and his checks were honored by the bank. That Willard F. Pearson, Perry's receiver, took into his possession property of Perry and reduced the same to cash aggregating over $13,000, of which amount he still has in his possession $3,500.

On the foregoing finding of facts the court stated its conclusions of law: (1) That Miami County Bank by its acts became co-trustee with John F. Perry in the management of the assets of said estate, and jointly liable with him as principal in accounting for said funds. (2) That the administrator de bonis non ought to recover of John F. Perry, Miami County Bank, Ballard and Ballard, and Maryland Casualty Company $5,119.12. (3) That the property of John F. Perry and Miami County Bank should be first exhausted before resort is had to the property of Ballard and Ballard and Maryland Casualty Company. (4) That the residue be recovered as follows: One fifty-first part from Ballard and Ballard, and 50 fifty-first parts from Maryland Casualty Company, but not exceeding the amount of each of said bonds.

An administrator or other person having charge of trust funds may deposit them in bank to the credit of his personal account and check them out in the usual course of business, and the bank, though it has knowledge of the character of the funds so deposited, is not thereby made liable to the beneficial, or actual, owners of such funds, in the absence of any knowledge on its part that the funds are being misappropriated or misapplied by such trust officer. If the bank with knowledge of the character of the funds so deposited applies them to the payment of the personal debt of the depositor, due such bank, or knowingly accepts from him payment of his individual debt out of such funds, or knowingly assists, or permits such depositor to misuse or misapply such funds, it may be held liable therefor to the beneficial or actual owner thereof to the amount of the funds so misapplied or misused.

The fact that the bank has knowledge of the character of the funds is an important circumstance which calls for caution in dealing with and honoring checks upon such deposits, though such knowledge is not sufficient, in and of itself, to create liability, or to cause the bank to require the depositor to place such funds in an account separate and apart from his individual account. . . .

The language employed by the Supreme Court of Maryland in Duckett vs. Nat'l Mechanics' Bank, supra, is appropriate here (86 Md. 400):

There can be no dispute that, as a general principle, all persons who knowingly participate or aid in committing a breach of trust are responsible for the wrong, and may be compelled to replace the fund which they have been instrumental in diverting. Every violation by a trustee of a duty which equity lays upon him, whether wilful or fraudulent, or done through negligence, or arising through mere oversight or forgetfulness, is a breach of trust. 2 Pom. Eq. Cur. Sec. 1079. There is, in such instances, no primary or secondary liability as respects the parties guilty of, or participating in, the breach of trust, because all are equally amenable. . . . If the bank knowingly aided and participated in Clagett's breach of trust, then the bank is, beyond dispute, as responsible to the new trustees as is the defaulting trustee himself. This liability of the bank depends, however, altogether upon the contingency that it knowingly aided the trustee, Clagett, to commit the default of which h

was undeniably guilty. If without knowledge of Clagett's misconduct; or, if without sufficient notice to put it on inquiry that would have enabled it to ascertain that Clagett was mingling with his individual deposits, and using as his own, money that the bank knew, or had the means of knowing, was trust money; or if it was merely the innocent agency through which, without fault or negligence on its part, Clagett depleted the trust estate—then it was not guilty of aiding him in misappropriating the trust fund, and is not liable to restore it. . . . It is true, undoubtedly, that a bank is bound to honor the checks of its customer, so long as he has funds on deposit to his credit, unless such funds are intercepted by a garnishment or other like process, or are held under the bank's right of set-off. It is equally true that whenever money is placed in bank on deposit and the bank's officers are unaware that the fund does not belong to the person depositing it, the bank upon paying the fund out on the depositor's check, will be free from liability even though it should afterwards turn out that the fund in reality belonged to some one else than the individual who deposited it. It is immaterial, so far as respects the duty of the bank to the depositor, in what capacity the depositor holds or possesses the fund which he places on deposit. The obligation of the bank is simply to keep the fund safely and to return it to the proper person, or to pay it to his order. If it be deposited by one as trustee, the depositor, as trustee, has the right to withdraw it, and the bank, in the absence of knowledge or notice to the contrary, would be bound to assume that the trustee would appropriate the money, when drawn to a proper use. Any other rule would throw upon a bank the duty of inquiring as to the appropriation made of every fund deposited by a trustee or other like fiduciary; and the imposition of such a duty would practically put an end to the banking business, because no bank could possibly conduct business if, without fault on its part, it were held accountable for the misconduct or malversations of its depositors who occupy some fiduciary relation to the fund placed by them with the bank. In the absence of notice or knowledge, a bank cannot question the right of its customer to withdraw funds, nor refuse (except in the instances already noted) to honor his demands by check; and therefore, even though the deposit be to the customer's credit in trust, the bank is under no obligation to look after the appropriation of the trust funds when withdrawn, or to protect the trust by setting up a jus tertii against a demand. But if the bank has notice or knowledge that a breach of trust is being committed by an improper withdrawal of funds, or if it participates in the profits or fruits of the fraud, then it will be undoubtedly liable.

In Allen vs. Puritan Trust Co., supra, the Supreme Court of Massachusetts said (211 Mass. 409, 97 N. E. 919, L. R. A. 1915C, 518):

> The principle governing the defendant's liability is that a banker who knows that a fund on deposit with him is a trust fund cannot appropriate that fund for his private benefit, . . . without being liable to refund the money if the appropriation is a breach of the trust.

Neither paragraph of the cross-complaint against appellant avers that the surety company has paid, or in any way satisfied, the demand of the estate for the funds for which Perry failed to account as administrator. Without such payment or satisfaction of the debt, the surety company cannot avail itself of the equitable right of subrogation. Its claim is one of indemnity for loss sustained by reason of its having paid the debt for which appellant was primarily liable, and which in equity and good conscience it should have discharged. The absence of such averments from the cross-complaint renders it insufficient. . . .

The third paragraph of complaint is a suit upon the $5,000 bonds of the defaulting administrator. By this paragraph it is sought to hold appellant jointly liable as principal with John F. Perry, the defaulting administrator. The bank did not execute the bond, and is in no way liable on the contract. Appellant's liability, if it exists, is not based on contract, but arises from the tort in which it participated by the wrongful application and misuse of the trust funds deposited by Perry in the Miami County Bank.

Under the facts found by the court, appellant may be held liable as a co-trustee of the trust funds deposited by Perry, but it became such trustee, ex maleficio, by its wrongful dealing with such trust fund and not otherwise.

The first, second and third conclusions of law hold appellant liable ex contractu, on the bond, including a penalty authorized by statute against defaulting administrators in certain instances. Sections 2981, 2982, Burns 1914. Conceding that the appellant is

liable in tort for its wrongful dealing with the trust fund, it does not follow that it can be held jointly liable with the administrator in a suit, ex contractu, upon the bond which it did not execute. The conclusions of law which hold appellant liable in this action as above shown are therefore erroneous.

The judgment is reversed, with instructions to sustain appellant's motion for a new trial, and for further proceedings not inconsistent with this opinion.

112 N. E. Rep. 40.

Alteration of Note

Texas

Bona Fide Holder—Fraud—Evidence —Defense

Court of Civil Appeals of Texas, Ft. Worth, Feb. 19, 1916.

LANDON VS. HALCOMB.

Where the plaintiff's assignor and defendant, parties to a contract or order with a note attached, intended and understood that the note was not to be detached, its detachment for the purpose of negotiations was a material "alteration" of the note.

A material alteration of a note precludes any claim on the part of the holder to protection as an innocent purchaser for value without notice.

ACTION by A. C. Landon against V. S. Halcomb. Judgment for defendant, and plaintiff appeals. Affirmed.

STATEMENT OF FACT AND OPINION

DUNKLIN, J.: V. S. Halcomb, the proprietor of a drug store in the town of Bridgeport, gave a written order to the Vernon Advertising Co. of Schell City, Mo., for a piano, a set of silver, fountain pens, and advertising matter to be shipped by the company to Halcomb, and attached to the order was Halcomb's promissory note, payable to the advertising company, or order, for $400. The note and order were on the same piece of paper, but were separated by a perforated line. The order reads as follows:

The Vernon Advertising Company, of Schell City, Mo.

Pianos Direct From the Factory.

Town, Bridgeport, State, Texas. 6/23/1914.
County, Wise, Post Office, Bridgeport, Tex.

Gentlemen: Upon approval of this order, please deliver to me at your earliest convenience, f. o. b. factory or distributing point, the goods described in this order, with the understanding that this is to be the exclusive order for this town, I or we understand that this order cannot be countermanded. This order shall contain the following goods:

1 piano (guaranteed for 10 years).
2,500 duplicate tickets.
250 piano circulars.
250 nomination letters.
1 piano stool.
288 fountain pens.
250 pen circulars.
Merchant's instructions.
1 26 pc. silver set.
250 silver set circulars.
2,500 trade cards.
Contestants' instructions.
Price $400, Payable Five Payments.

We guarantee the sale of 288 fountain pens at $1.50 each by the close of the contest: Provided, the contest is run at least 26 weeks from opening date according to the advertised plans as per regular printed circulars furnished by the Vernon Advertising Company and awards all prizes accordingly, reports the gross sales of pens each 30 days, during the contest and makes each and every payment on the date or within 5 days from the date when due. In case the undersigned should for any reason desire to close the contest before all the pens have been sold, the Vernon Advertising Company agrees to purchase all pens remaining unsold. The undersigned hereby accepts the above conditions and agrees that failure on his part to fulfill any of the above conditions will and does hereby release the Vernon Advertising Company, of Schell City, Mo., from any liability on this contract.

We hereby appoint the undersigned as agent for the Vernon Piano at Bridgeport, Texas, and agree to pay him a commission of $50.00 on all sales made at the regular retail price of $350.00, or through said agent, commission payable out of the first money received from such sale. No other agree-

ments or conditions not embraced in this regular printed form will be accepted or recognized. This order is taken in duplicate.

]Signed] V. S. Halcomb.
By B. Kupton, Representative.

It appears that these documents were executed by Halcomb in pursuance of an advertising scheme suggested and proposed by a traveling agent of the advertising company.

The present suit was instituted by A. C. Landon, residing at St. Louis, Mo., against Halcomb upon the note so executed which had been detached from the written order. The plaintiff alleged that he was an innocent purchaser of the note for value before maturity, and from a judgment in favor of the defendant, the plaintiff has appealed.

The evidence showed beyond controversy that the defendant received 144 of the fountain pens and practically all the other articles mentioned in the order, except the piano and stool; and that defendant, in pursuance of the advertising scheme planned and arranged by the company, advertised to give away the piano and other articles as prizes; that the piano and stool never reached Bridgeport in time to be used in accordance with such advertising, although the defendant made repeated demands therefor; that later the piano did arrive at Bridgeport, consigned to shipper's order, but that the advertising company failed and refused to send defendant any bill of lading for said piano, and in the absence of which the defendant was unable to get it, and in consequence of which the defendant never received it.

The case was submitted to a jury upon special issues, and the jury found that the articles received by the defendant were of no value; that the advertising company at the time said contract was made did not intend to comply with its contract to ship the goods mentioned in the order; that the company entered into the contract for the fraudulent purpose of getting possession of the notes and realizing thereon by transferring the same to some other person.

The jury further found that the plaintiff, Landon, was not a purchaser of the note in the usual course of trade and in good faith for value, and that at the time he purchased it he had notice that the same was given as a consideration for the obligation contained in the written order referred to above, and that the advertising company had obtained the note for the fraudulent purpose of cheating defendant.

The jury further found that it was the intention of the parties to said note and written order at the time those instruments were executed and delivered that the same were to remain attached, together, as they were attached when executed, and to remain so until the obligations of both parties were fully complied with, and that the note was detached from the order without defendant's consent. The jury further found that at the time plaintiff purchased the note he had notice that the same had been attached to said order when those instruments were executed and delivered, and that the same had been detached without the consent of the defendant.

They further found that the goods mentioned in the order, and for which the note was given, were intended to be used in furtherance of a lottery scheme, and that plaintiff knew of that fact at the time he bought the note, and that the separation of the note from the order was a material alteration.

The facts so found by the jury were pleaded, substantially, by Halcomb as defenses to the suit. All the findings of the jury have been attacked by appellant as being unsupported by the evidence, and the contention is made that the evidence conclusively shows that plaintiff was an innocent purchaser of the note before maturity for value without notice of any defenses thereto.

The evidence shows conclusively that the note in suit and the order for goods embodying contractual obligations on the part of the Vernon Advertising Company, as well as on the part of defendant, Halcomb, which was originally attached thereto, were parts and parcels of one contract. If at the time the contract was executed the parties thereto

intended and understood that the note was to remain permanently attached to the order, as found by the jury, then it follows that the separation of the order from the note for the purpose of negotiating the note was a material alteration of the note which precluded any claim on the part of plaintiff that he should be protected as an innocent purchaser and holder of the note for value without notice of any defense thereto. Baldwin v. Haskell Nat. Bank, 104 Tex. 122; Otto v. Halff, 89 Tex. 384; Rochford v. McGee, 16 S. D. 606. And this is true notwithstanding the fact that the order was attached to the note by a perforated line, thus rendering the separation of the two instruments in such a manner as possibly to mislead the purchaser of the note. Stephens v. Davis. 85 Tenn. 271; First Nat. Bank v. Dorsey, 166 S. W. 54; Bothell v. Schweitzer, 84 Neb. 271.

We are of the opinion, further, that the evidence was sufficient to support the findings referred to above, and also the further finding by the jury that plaintiff was not an innocent purchaser and holder of the note. While testimony introduced by plaintiff to refute the latter finding was positive in terms, yet there were circumstances which tended to show the contrary and which presented more than a mere suspicion that such testimony was untrue. The purchase of the note in St. Louis, Mo., within three days after its execution, in Bridgeport, Tex., for an admitted discount of 12½ per cent., the failure of plaintiff to show how the indebtedness for which the note was further discounted, as claimed by plaintiff, arose, his failure to show what, if any, investigation he made to determine the solvency of the maker of the note before he purchased it, his implied denial of a lifelong and intimate acquaintance with Boatwright, the manager of the Vernon Advertising Company, as established by several disinterested witnesses residing in Schell City, Mo., and his further implied denial that he was in the habit of making frequent trips to Schell City where Boatwright conducted the business of payee of the note, as testified to by several of the same witnesses, were some of the circumstances which tended to impeach the alleged good faith of plaintiff in the purchase of the note.

Pertinent to the failure of plaintiff to explain fully the discount of the principal of the note in his purchase and his failure to explain what investigation, if any, he made with respect to the solvency of the maker before he purchased the note, we wish to cite the familiar rule that a failure of a party to produce evidence within his control raises the presumption, under circumstances like the present suit, that if produced it would operate against him. Mitchell v. Napier, 22 Tex. 120.

The issue of bad faith in the purchase of the note, like the issue of fraud, could be established by circumstantial evidence.

The findings of the jury indicated above were decisive of the whole case in favor of appellee, and therefore the judgment is affirmed.

Affirmed.

184 S. W. Rep. 1098.

Collections

Washington

Deposits in Bank—Customs of Banks—Evidence—Collections

Supreme Court of Washington, April 6, 1916.

AMERICAN SAVINGS BANK AND TRUST CO. VS. DENNIS.

In an action by a bank against the maker of a check deposited with it, it appeared that the depositor filled out a deposit slip which bore on its face a printed statement that the bank received checks only as agent. The bank's ownership of the check being in dispute, its teller was asked whether he took the check governed by the printed statement on the bottom of the deposit slip. *Held*, that his answer would have been merely his conclusion, and was promptly excluded; nothing having been said by either the teller or the depositor on the subject.

A printed statement on a deposit slip filled out by a person depositing a check that the bank received checks for collection only as agent was some evidence of the in-

tention that the bank should take the check as agent, and not as owner.

Where a check is deposited with a bank, and the depositor checks against it with the understanding that, if the bank fails to collect the check, the amount is to be charged back, the check remains the property of the depositor, and title does not pass to the bank; the bank's act in allowing the depositor to check against the paper being a mere gratuitous privilege. (156 Pac. Rep.)

ACTION by the American Savings Bank & Trust Company against Peter Dennis. Judgment for defendant, and plaintiff appeals. Affirmed.

STATEMENT OF FACT AND OPINION

MAIN, J. This is an action to recover upon a check. The facts are briefly these: On August 14, 1913, one Peter Dennis drew his check on the Farmers' & Merchants' Bank of Edison, Wash., for the sum of $750, payable to the order of P. H. Casey; and on the same date the check was delivered to Casey. On the following day Casey, who was then, and for some time prior thereto had been, a customer of the American Savings Bank & Trust Company, deposited the check in that bank. In making the deposit he filled out the usual deposit slip, indorsed the check in blank, and presented the check and the deposit slip to one of the bank tellers. Thereupon the teller entered in Casey's passbook the amount of the check; and upon the books of the bank he was given credit for the sum as cash. No conversation took place between the teller and Casey other than the mere passing of the time of day. On the face of the deposit slip there was this printed provision:

> This bank in receiving checks or drafts on deposit or for collection acts only as your agent, and beyond carefulness in selecting agents at other points and in forwarding to them, assumes no responsibility. In making this deposit the depositor hereby assents to the above condition.

There were other conditions which are not here material.

On the same day that the check was deposited it was forwarded by mail to the Farmers' & Merchants' Bank of Edison. On August 22, 1913, the Farmers' & Merchants' Bank reported to the American Savings Bank & Trust Company that payment of the check had been stopped.

After Casey had deposited the check, and prior to the time when the American Savings Bank & Trust Company knew that payment had been stopped, Casey drew checks against his account, which were paid, to the amount of $664.70. Upon the return of the check by the bank at Edison demand was made upon Casey to make good the amount which he had drawn against the credit of this check; but he did not comply with this demand. Thereafter this action was instituted against Casey, and also against Dennis, the drawer of the check. In due time the cause came on for trial before the court and a jury; judgment in the meantime having been taken against Casey by default. At the conclusion of the plaintiff's evidence Dennis moved for a nonsuit. This motion was granted, and a judgment was entered dismissing the action as to him. From this judgment the plaintiff appeals.

The assignments of error are all based on the rulings of the trial court in rejecting certain offered testimony. By these offers the appellant desired to prove: (a) The course of business with its depositors when checks were received drawn on other banks as to whether such checks were taken by the bank as agent or "ordinarily put the money to their credit as you did in this case and give them full credit for it"; (b) that, according to the rule and practice of the bank, if the check in question had been taken for collection, "it would never have gone on the books to the credit of Mr. Casey at all, but it would have been received at the collection window, and Mr. Casey's account would not have shown this credit of $750 until the check came back from Edison with the report of the bank"; and (c) to have the teller who received the check state

whether he took the check "governed by the printed statement on the bottom of it [the deposit slip], or did you give him credit for the amount and permit him to draw against his account?"

The controlling question is whether the evidence offered was admissible. The bank claims that, when the check was received and the deposit made in the manner indicated, it became the owner of the check. Dennis claims that the bank received the check as agent for the purpose of collection.

As to the first and second offers, the appellant desired to prove its course of business with other customers and the rule or practice of the bank when a check was received for collection only. There is no evidence, nor offered evidence, which would show that Casey at the time he made the deposit knew the method by which the bank dealt with its other customers, or its practice or rule relative to checks received for the purpose of collection only. In the absence of such knowledge, the practice of the bank in dealing with its other customers or the rule of the bank when a check was received for collection only could not well enter into and become an element of the contract that was made by Casey when he deposited the check. In other words, the practice or rule of the bank is not binding on the customer unless it is shown that such customer had knowledge thereof. 5 Cyc. p. 488; 1 Morse, Banks & Banking (4th Ed.) p. 31; 1 Michie, Banks & Banking, p. 651.

By the third offer it was desired to prove by the teller who received the check whether he took it governed by the printed statement on the bottom of the deposit slip. Whatever answer the teller would have given to this question would have been merely his conclusion, and therefore the objection thereto was properly sustained. The court ruled that everything that was said and done between the teller and Casey at the time of making the deposit could be shown. But, as already stated, there was no conversation between them other than the mere passing of the time of day, after which the deposit slip and check were received by the teller, and the amount entered upon Casey's passbook, and credit given to him upon the books of the bank. The printed declaration on the deposit slip, to the effect that the bank in receiving checks acted only as agent, was some evidence of an understanding that it was the intention of the parties that the bank should take the check as agent, and not as owner. If the position of the parties were reversed, and the bank were relying upon the deposit slip to show that it received the check as agent only, Casey, in the absence of any other evidence bearing on the question, could not reasonably contend that it was received in any other capacity.

Whatever the rule may be in other jurisdictions, and there is some conflict in the authorities, it seems to be reasonably well settled in this state that, where a check is received and deposited, as in this case, and the depositor checks against it with the understanding that, if the bank fails to collect the check, the amount is to be charged back, the check remains the property of the depositor, and title thereto does not pass to the bank. The allowing a depositor to check against such paper is a mere gratuitous privilege. Washington Brick, Lime & Mfg. Co. v. Traders' Nat. Bank, 46 Wash. 23; Morris-Miller Co. v. Von Pressentin, 63 Wash. 74; Belsheim v. First National Bank.

The judgment will be affirmed.

156 Pac. Rep. 559.

Liability of National Bank

DIRECTORS (U. S. COURT)

DIRECTORS in a national bank, who, with knowledge of the falsity of the representations as to the bank's financial condition, contained in official reports to the Comptroller of the Currency, made and published conformably to U. S. Rev. Stat., section 5211, Comp. Stat. 1913, section 9774, either formally attested such reports, or knowingly permitted, assented to, and allowed the

same to be made and published, must be deemed knowingly to have participated in or assented to a violation of the national banking laws, within the meaning of U. S. Rev. Stat., section 5239, Comp. Stat. 1913, section 9831, which provides that, in case of such violation, or permitted violation, every director participating in, or assenting thereto, shall be civilly liable to any person suffering damage in consequence thereof.

Jones Nat. Bank vs. Yates. 36 *Sup. Ct. Rep.* 429

Stop Payment

Indiana

A BANK, though notified not to honor the checks of a depositor who had by fraud sold plaintiff corporate stock and deposited the proceeds in the bank, *held* not bound to heed the warning: plaintiff not having rescinded the contract or returned the stock so as to be entitled to recover purchase money.

Barnard vs. First Nat. Bank of Newpoint, 111 *N. E.* 451.

Set Off

Tennessee

WHERE on death of a depositor the bank holds his note, it may set off the amount thereof against his deposit, though the note is not yet due, regardless of whether the bank's right be regarded as a lien or not.

This right of set-off extends to the bank against the assignee for the benefit of creditors of the depositor and against the administrator of the depositor, who on his death is insolvent; nor a bank be deprived of the right to against the estate of a decedent depositor the amount of a note held by it against him by the assignment of the deposit to the widow as her year's support, since she claims through her husband.

Conquest vs. Broadway Nat. Bank. 183 *S. W.* 160.

Consideration

Iowa

AN agreement to discharge a note in consideration of the maker's annual payment of the amount of interest reserved, which payment was to be on a different date, for the lifetime of the payee, *held* valid, being supported by sufficient consideration.

Diehl vs. McKinnon, 155 *N. W.* 259.

Oklahoma

EITHER a benefit conferred by a third person or a detriment suffered by the payee at instance of the maker will be sufficient consideration for a note, though the maker received no personal benefit.

State vs. Soliss, 152 *P.* 1114.

Ownership of Deposit

Missouri

A BANK, which received in regular course from its depositor a draft drawn by the latter, issuing its deposit slip and entering the deposit on the depositor's regular checking account, the amount being thereafter checked out, became absolute owner of the paper, and not a mere collecting agent.

The fact that a bank, in crediting its depositor's account with a draft drawn

by such depositor and deposited, intends to charge the amount back in case the paper is not paid, does not avoid the bank's title.

That the depositor of its own draft in bank, being credited with the amount and checking it out, was interested in its payment, was no proof that the bank did not become owner by entering the deposit and permitting it to be checked out.

Letters between the bank in which a draft was deposited by the drawer, and which permitted the amount to be checked out, and the other banks involved in the collection, written after controversy arose between the drawee and drawer, were not evidence that the bank of deposit took the draft only for collection and did not get title.

The fact that the bank in which a draft was deposited by the drawer demanded payment of the latter upon the drawee's stopping the money in transit, was no evidence that the bank of deposit did not become owner of the draft by crediting the drawer's account.

Haas vs. Kings County Fruit Co. (Southwest Nat. Bank of Commerce, Garnishee).

Trust Funds

WHERE trust funds are deposited in a bank, which has knowledge of their character, if it obtains payment of a debt from the depositor personally to itself from the deposit, or affirmatively and intentionally aids him in wrongfully appropriating any part of the fund to his own use, it becomes liable in equity therefor to the beneficiaries of the trust.

The bank is not relieved from such liability on account of money received on its own debt by the fact that the depositor had funds of his own mingled in the deposit, but accepts the payment at its peril of having to refund if the trust deposit is thereby depleted.

Nor is the bank protected from liability by the fact that the money of numerous beneficiaries is mingled in the deposit, which is added to from many sources and drawn against for many purposes until the identity of each owner's part is lost. In such case the amount wrongfully taken from the fund must stand to them in the same relation as the remainder does, and the liability is to them as a class, and where there is no right of preference between them, and in the absence of clear proof that the money of any particular owner remains, they are entitled to share pro rata in the fund remaining, and in such money as may be recovered.

Where in such case the depositor was a public officer and the beneficiaries, instead of pursuing their remedy against the bank, recover their loss from the surety on his official bond, the right to bring the action passes to the surety under the general principles of subrogation, and by what amounts to an equitable assignment, but subject to any disability which affected the beneficiaries whose claims were paid.

U. S. Fidelity and Guaranty Co. vs. Union Bank and Trust Co. 228 *Fed. Rep.* 448.

National Preparedness

By F. M. KENNEY, Cashier, Olympia National Bank, Olympia, Wash.

A TOPIC of general interest is National Preparedness. President Wilson experienced a radical change of mind since a year ago, at which time he was not in favor of increasing either the army or the navy to any marked degree. The lessons taught by the European war, however, have brought to him the realization that the defenses of this country are inadequate and must be strengthened.

We can pat ourselves on the back and tell, as the Silver Tongued Orator did, that "A million men would, over night, respond to the call to arms and repel invaders." This has a pleasing sound to the ear, coming from this master of language, but anyone who has the least experience knows that we would not have an army, but a mob. The small number of men who wished to enlist, when the army increase was authorized in March, proves that regular army service does not appeal to the average man. The experience of England shows, too, that we must have something more than men. As one Englishman expressed it, "The untrained English troops did not even have a sporting chance against the trained and tried veterans of Germany."

I venture to say that every one of us recalls boys of our school days who were constantly picked on because they were weak; also, other boys who were never in trouble at all, boys who were left severely alone by the bully of the school, as he realized that if they were misused they would fight, and fight vigorously. The conduct of the nations is similar to that of individuals—the weak nations will be imposed upon by the bullies, while other nations, who are able [illegible] willing to defend themselves, will be left severely alone. The ability to defend themselves was not an invitation to fight, but just the reverse. So will the nation's ability to defend insure peace—not war.

In case of war, our troops must be trained. When are they going to receive this training—after war has been declared?

The gigantic struggle between the nations proves absolutely that after a declaration of war there is no time to prepare. We must have trained men, we must have clothing to wear, shoes for their feet—for no army can march without proper shoes; we must have guns; we must have ammunition to shoot, and our men must know how to shoot. Take the average boy out of the city today—what does he know about taking care of himself in the field? That is also an important point.

I volunteered on the first call for troops in 1898 and saw service in Porto Rico under Gen. Miles. The results of that campaign proved that we had more to fear from inefficiency than we had from the enemy; and, while we had some excellent officers among the volunteers, and especially so in the company in which I served, there were many volunteer officers who were incapable of caring for themselves in the field, much less having charge of more than 100 men, and whose welfare and health they were supposed to be looking after. The result was that we lost three men killed by the Spanish, and out of over 1,300 men in our regiment there was, at one time, only 400 fit for duty, the balance either having died from sickness, invalided home, or were in the hospitals in Porto Rico (and the prime cause was that neither the men nor the officers

knew how to take care of themselves. From May 1, 1898, to June 30, 1899, only 51 officers and 650 men were killed in action or died from wounds, but 165 officers and 5,344 men died of disease. These figures tell their own story of inefficiency.

As a further illustration of the gross inefficiency canned corned beef was furnished to us on board ship, on which there was an inch of green slime which had to be cut off in order to partake of the balance, and it was either eat that or go without. Would such a thing be possible if the system of inspection were properly organized? This is one way in which we disabled our own soldiers.

Even after the peace protocol was signed there were times when we were fed three hard-tack at a meal, the outer edges of the hard-tack being covered with mold, and this, of course, we had to break off in order to get at the balance; and again, it was eat this or go without.

Our greatest enemy, in reality, was incompetency, and we should learn a lesson from 1898, as well as that of 1914, 1915 and 1916, and not repeat our errors.

Very few people will disagree with me when I say that a well trained football eleven, if given the order to force their way through an unorganized group of men, fifty in number, would have but little difficulty in doing so. The same illustration would apply exactly to our unorganized armies when opposed by trained soldiers.

We do not want an army for the purpose of aggression, but to keep us from fighting. I am heartily in favor of something along the line of the Swiss system, whereby we could begin training the boys in the grade schools how to care for themselves, and would place the burden of military duty primarily between the ages of 18 and 21, the time when the young man, as a rule, with the least loss to himself, can devote a reasonable length of time to fitting himself for the defense of the country, if need be, of which he is a citizen, and it is every citizen's duty to be ready to defend his country, and he should have training so he is also able to defend it. If our young men get this ground-work of training, then it will be easy to utilize them in the proper manner.

I heard John Grier Hibben, President of Princeton University, and successor to Woodrow Wilson, speak on National Preparedness. He told how he had been in Switzerland at the time war was declared; that there was not a soldier on the streets, but that three days later between 400,000 and 500,000 men, fully armed and equipped, were guarding the border. That is the kind of an army I am in favor of for this country—one which will pursue their walks in life, but who have received the groundwork of training that will enable them to mass into an effective army upon very short notice, and such an army will be the best insurance of peace that the United States can have.

No one will accuse Switzerland of being a warlike nation, even though she can raise an army quickly. Let us learn from her experience.

SAVINGS DEPARTMENT—PEOPLES STATE BANK DETROIT

CONGRESS STREET ENTRANCE—PEOPLES STATE BANK, DETROIT

Peoples State Bank, Detroit

THIS institution, whose deposits are well above the fifty-million mark, as it exists to-day represents a union of three banks—the People's Savings Bank, organized in 1862, the State Savings Bank, organized in 1883, and the United Savings Bank, organized as a private bank in 1877 (its first corporate title being McLellan & Anderson Savings Bank. It was on June 1, 1907, that the People's Savings Bank and the State Bank united as the People's State Bank, the United States Savings Bank being taken over on November 1, 1909. The merged institutions were all old and well established banks, abundantly capitalized, ably managed and successful. Their union was the result of a determination on the part of all those interested to form an organization whose strength and resources would be commensurate with the steadily and rapidly growing city of Detroit. And since the Michigan law permits branches, the larger bank, through its respective offices, could furnish adequate banking service to every locality in the city as needed, and this has been done, there being at present thirteen branches, all of them well housed and some having really fine buildings that would be a creditable head office for any bank.

MEN WHO HAVE MADE THE BANK

SOME of those who were prominent in the merged banks have contributed much to the growth of the present

MAIN BANKING ROOM, CONGRESS STREET ENTRANCE—PEOPLES STATE BANK, DETROIT

People's State Bank. George H. Russel, for example, who was president of the State Savings Bank, became president of the amalgamated bank and discharged the duties of that position with marked ability and success until his death in 1915. Mr. Russel was widely known and honored, and had served as president of the Michigan Bankers Association and the American Bankers Association. George E. Lawson, who succeeded to the presidency of the bank on the death of Mr. Russel, had been elected cashier of the People's Savings Bank in 1890. He was also honored by election to the presidency of the Michigan Bankers Association. These men were not only bankers of exceptional skill, judgment and energy, but citizens of distinction. Both deservedly had hosts of friends, not alone in their own city and state, but in all parts of the country.

When the State Savings Bank was formed in 1883, the position of cashier was tendered to Robert S. Mason, then a paying teller in the First National Bank. Mr. Mason is still with the People's State Bank, holding the office of vice-president.

Enoch Smith, who had been chosen cashier of the McLellan & Anderson (later United States) Savings Bank in 1894, still holds an official position with the People's State Bank.

The bank to-day is well officered, the complete roster being:

Jas. T. Keena, R. S. Mason and F. A. Schulte, vice-presidents; Austin E. Wing, cashier; H. P. Borgman, cashier savings department; R. W. Smylie, manager credits and audits; J. R. Bodde, assistant to president and assistant cashier; Charles H. Ayers, Enoch Smith, R. T. Cudmore and A. H. Moody, assistant cashiers; Carroll H. Lawson, bond officer; George T. Courtney, auditor; Austin Y. Ladue, custodian safety deposit vaults.

A STORY OF GROWTH

DETROIT'S banking growth is little short of marvellous, and that is largely because within a comparatively recent period an industry has attained preëminence here to the extent of practically transforming some lines of transportation—reference is made, of course, to the growth of automobile manufacturing. But while this to a considerable extent explains the almost phenomenal rise of the Detroit banks, they have grown from other causes as well. This is notably true of the People's State Bank. Absorption of other banks helped some, and the extension of branches to various parts of the city by which the people had brought to their doors the most complete and safest banking service was also responsible for much of it. The constant maintenance of the highest banking ideals has done more than all else, unquestionably, to give to the People's State Bank leadership among the banks of Detroit and the State of Michigan.

Just to see how much the bank has grown, one may study these figures with interest:

	Deposits.	Resources.
Jan. 26, 1907.....	$28,977,000	$32,172,000
Feb. 5, 1909.....	24,796,000	28,035,000
Jan. 7, 1911.....	31,076,000	34,484,000
Feb. 4, 1913.....	36,564,000	40,170,000
Dec. 31, 1915.....	51,616,000	57,723,000

At the close of business May 1, 1916, the complete statement of the bank's condition was as shown herewith:

THE BANK'S NEW HOME

NOT much description need be added to show the completeness and beauty of the building illustrated in these pages. Not inappropriately the

FORT STREET LOBBY—PEOPLES STATE BANK, DETROIT

site of the structure is on that of a fort, so that even the bank's foundations rest upon something representing strength. When excavating for the present build-

RESOURCES.

Loans and discounts	$29,422,781.93	
Bonds	7,491,284.97	
Mortgages	12,099,381.63	$49,013,448.53
Real estate		108,909.85
Overdrafts		4,395.65
Banking house and branch buildings		1,249,711.33
Furniture and fixtures		47,153.81
Cash on hand and due from banks....................		16,265,779.43
		$65,689,398.60

LIABILITIES.

Capital stock	$ 2,500,000.00
Surplus fund	2,500,000.00
Undivided profits, net	1,099,215.79
Dividends unpaid	366.00
Deposits	59,589,816.81
	$65,689,398.60

EXECUTIVES' OFFICE, SAVINGS AND MORTGAGE DEPARTMENT

EXECUTIVES' OFFICES

PEOPLES STATE BANK, DETROIT

ing evidences of the existence of this old stronghold (Fort Lernoult) were discovered.

The opening of the year 1916 marked the completion of forty-five years of service for the People's Savings Bank, the original of the consolidated banks, and also the occupancy of the enlarged building, called for by the rapid growth of business in all departments of the People's State Bank. The original building, erected some fifteen years ago by the State Savings Bank, occupied an area of 100 by 138 feet. The new extension added an area 100 by 158 feet, making a total area of 100 by 296 feet, one of the largest banking offices in the country. It is in materials, construction and arrangement an ideal bank building. The convenience and safety of the public have been given first consideration, and the most thoughtful provision has been made for the welfare of those who do the bank's work.

As is well known, the Michigan banking law provides for separate commercial and savings departments, and within these respective divisions the People's State Bank maintains a complete banking service.

BOARD ROOM—PEOPLES STATE BANK, DETROIT

The brief history above set forth shows that this has been an exceptionally successful bank, and it has been so because the principles of its management have always conformed to what is best in banking, and because the men who have directed its policy and who direct it now understand the purpose of such an institution—to render to the public the largest degree of usefulness compatible with entire safety.

VIEW OF THE MAIN BANKING ROOM, FIRST NATIONAL BANK OF HOUSTON

Historic Texas Bank Celebrates Its Golden Jubilee

THE First National Bank of Houston celebrates this year the fiftieth anniversary of its foundation. This anniversary is a significant one, not only for the First National Bank, but for the city of Houston to the growth of which this institution has so largely contributed. For the First National is something more than a bank. It is an institution dedicated to the public service and in which the people of Houston take a justifiable pride.

George C. Schnitzer, writing in the Houston Daily Post, best expressed the high regard which all true Houstonians feel for this bank when he said:

"They say that a corporation is without feeling or sentiment, that it has no heart. This thought is especially true of the banking institution—its officials are looked upon as cold and unresponsive creatures.

"It is not so in this case. If ever an institution was human it is this one. If ever one lent a sympathetic ear to the petition for aid, it has been this one.

"There are those in this city who will testify to it—there are widows and orphans who are grateful to it, there are many deserving, and possibly some undeserving, who have felt reason to be thankful for it."

The First National Bank was founded in the darkest era of the history of the South. The war, scarcely over, had left the people impoverished and business stagnant. Thaddeus Stevens was the leader of a policy of "reconstruction" which did not "reconstruct." The prosperity of the South was at its lowest ebb.

Times like these called for men with abounding faith in the future and constructive optimism. Such a man was B. A. Shepherd, whose efforts led to the founding of the First National. Mr. Shepherd was the first man in Texas to engage in banking as a separate and distinct business, and it was he who first saw the possibilities of a great banking institution as a reinvigorator of trade and a stabilizer of credit.

Accordingly Mr. Shepherd was the father of a movement which resulted in the organization of the First National

Bank in February, 1866, the second bank in Texas to organize under the national banking act. The capital stock was $100,000, and the first officers were: T. M. Bagby, president; R. S. Willis, vice-president; Muter Miller, cashier. The latter died a month later and was succeeded by William N. Cook.

Mr. Bagby served as president but a short time, resigning office in 1867, at which time he was succeeded by Mr. Shepherd. At the same time Mr. Cook resigned as cashier and was succeeded by A. Wettermark.

For twenty-five years and up to the time of his death Mr. Shepherd was the dominant figure in the upbuilding of the bank. Mr. Shepherd was more widely experienced in banking than any man in Texas of that day and believed thoroughly in the future of Houston. He lent his ideas to the development of the institution just as he placed his money in its establishment.

MAIN BANKING ROOM SHOWING THE ARRANGEMENT OF THE TELLERS' CAGES, FIRST NATIONAL BANK OF HOUSTON

In December, 1875, Mr. Wettermark resigned and A. P. Root, a son-in-law of Mr. Shepherd, assumed his duties. Three years later O. L. Cochran, another son-in-law, was elected a director. In 1890 W. H. Palmer, Mr. Shepherd's third son-in-law, was elected assistant cashier and a director, and all four of the bank officers, together with four out of the five directors, were centered in the family.

So far as ownership is concerned the First National has always been something of a family affair, although in the conduct of its affairs it has always been institutionl in character and has steadfastly served the best interests of the public and the community.

In 1892, shortly after Mr. Shepherd's death, Mr. Root was elected president and Mr. Palmer became cashier. In 1898 J. T. Scott, present head of the bank, was elected assistant cashier, and four years later succeeded Mr. Palmer as cashier on the latter's death. At the same time W. S. Cochran, son of O. L. Cochran, was elected a director, and is now one of the vice-presidents. In the meantime Mr. Scott became a director and F. A. Root, and E. A. Palmer were elected assistant cashiers.

In March, 1908, Mr. A. P. Root died and was succeeded as president by Mr. O. L. Cochran. For sixteen years Mr. Root was the dominant figure in the bank, as Mr. Shepherd had been before him, and no worthier successor to Mr. Shepherd could have been found. At this time J. T. Scott became vice-president and W. S. Cochran, cashier.

Mr. O. L. Cochran, fourth president, while being quite active in an advisory capacity, did not give his undivided time and attention to the bank as did his predecessors. Owing to large and varied outside interests, Mr. Cochran during his term as president turned the management of the bank largely over

E. A. Peden
DIRECTOR FIRST NATIONAL BANK OF HOUSTON

E. L. Neville
DIRECTOR FIRST NATIONAL BANK OF HOUSTON

to the active vice-president, John T. Scott. Mr. Cochran's name as president was a tower of strength to the bank.

HOUSTON and the First National Bank are justly proud of John T. Scott, who in January, 1915, upon the death of Mr. Cochran, became president of the bank. Mr. Scott, in the very best sense of the term, is a self-made man. A writer in the Houston Post thus describes his entry into the service of the First National.

"It was on the tide of these evidences of development that in 1892 there entered the family group of the First National Bank, a young man, twenty-three years of age, pleasant mannered, modest appearing and not overburdened with great wealth. His employment by the bank as a bookkeeper was not a matter to occasion any great demonstration—and there was none. But it was an important moment both for himself and for the bank, as well as for the future of the city of Houston.

"That man was John T. Scott. He was raw, so far as his knowledge of banking was concerned. He was not related to the controlling interests of the institution. He was without influence either among the officers and directors, or in the city in any way.

"To-day he is an authority in Texas on financial matters and economic conditions. He stands at the head of the splendid little family group of officials who have in charge the destinies of an institution which is the pride of the city of Houston. There is perhaps no man in Houston to-day who stands higher in popular esteem, not only in the city, but throughout the State of Texas, than the present chief executive of the First National Bank of Houston."

In 1914, when Oscar Wells was elected governor of the Federal Reserve Bank of Dallas, he was succeeded as vice-president by F. M. Law, who now holds this important office. Although Mr. Law is a newcomer in the official

W. S. Cochran
VICE-PRES. FIRST NATIONAL BANK OF HOUSTON

F. E. Russell
CASHIER FIRST NATIONAL BANK OF HOUSTON

family, he has already proven himself amply qualified for the position which he holds. His banking career was begun at Bryan, Texas, in The First National Bank of that town, the employ of which he entered as bookkeeper in 1897. In 1908 Mr. Law, who was then an assistant cashier, moved his residence to Beaumont, where for five years he was cashier of The First National Bank. In December, 1914, he accepted the position of vice-president of The First National Bank of Houston.

W. S. Cochran, vice-president, entered the service of the bank in 1898. He is a son of O. L. Cochran, the fourth president of the bank. Mr. Cochran has worked his way up in the bank on his own merits, having entered as a messenger. He has occupied various positions of trust in the bank, being at different times city collection teller, assistant cashier, and cashier, which latter position he was elected to when Mr. Scott was made vice-president in 1908. In 1913 Mr. Cochran was elected vice-president of the institution, which position he now holds. He is still a young man, and is universally popular and highly esteemed. For a number of years he has been treasurer of the City of Houston.

Frank E. Russell, cashier, is one of the oldest members of the bank's staff in point of service. He entered the bank in 1890, and has worked his way up to his present position as cashier. Mr. Russell has a wide acquaintance among the general public, with which the bank comes in contact, and his unfailing courtesy and geniality, together with his splendid banking ability, have been of no little service to the bank. His efforts have contributed much toward increasing the good will which the clients of the bank entertain for the institution. The directors have often evidenced their appreciation of Mr. Russell's services, and last year he was elected to membership on the board.

G. G. Timmins, J. L. Russell, H. B. Bringhurst and J. W. Hazard, are the four assistant cashiers. Each of these young men has earned the position he

G. G. Timmins

ASST. CASHIER FIRST NATIONAL BANK OF HOUSTON

J. L. Russell

ASST. CASHIER FIRST NATIONAL BANK OF HOUSTON

now occupies by long and faithful service. Each presides over a separate department in the work of the bank, and to their efforts is largely due the splendid service which the institution is able to render to its patrons.

The board of directors consists of six members only. Four of these are the senior officers of the bank. The other two are Mr. E. A. Peden, president of the Peden Iron & Steel Co., and Mr. E. L. Neville, member of the cotton firm of Dorrance & Co. Mr. Peden and Mr. Neville are ideal bank directors, who fully measure up to the responsibilities imposed under their oath of office. The bank is most fortunate in having these gentlemen on its board.

In its entire fifty years of existence the First National Bank has occupied only two different sites. The first one of these was located at the corner of Travis and Congress streets, a little one-story building, the rental of which was $80 per month.

... sixteen years it remained in this ... Then a lot at the corner of Main and Franklin streets was purchased for $13,000. It was 25 by 100 and the price was thought to be a record at that time. Here the bank was located in a two-story building for over twenty years.

By 1903 the bank had quite outgrown these quarters and a new and more pretentious home was deemed essential. An eight-story building was accordingly erected on a 25-foot frontage which was later rebuilt upon the acquisition of the adjoining property. Here the bank is now adequately housed in beautiful and appropriate quarters. Although its fifty years of life have been marked by pronounced conservatism, the First National Bank was one of the first Houston institutions to realize that the city had outgrown brick and mortar for office buildings, its present home being one of the pioneers of the steel and concrete buildings which now dominate the downtown district of Houston.

Twenty-five years ago the deposits of the First National amounted to over

H. B. Bringhurst

ASST. CASHIER FIRST NATIONAL BANK OF HOUSTON

J. W. Hazard

ASST. CASHIER FIRST NATIONAL BANK OF HOUSTON

$1,000,000, the largest of any of the national banks in the state. To-day they aggregate nearly $11,000,000.

Twenty-five years ago the banking capital of the entire city was $1,800,000. To-day the capital of the First National is $2,000,000. The condensed statement of The First National Bank as reported to the Comptroller May 1, 1916, was as follows:

RESOURCES

Loans and discounts, time	$6,599,026.04	
Loans and discounts, demand	1,980,975.95—	$8,580,001.99
United States bonds, par		2,000,000.00
Other bonds, stocks, securities, etc		371,529.46
Banking house		900,000.00
Other real estate		226,613.00
Cash in vaults	$799,951.96	
Cash with Federal Reserve Bank of Dallas	661,761.88	
Cash with other banks	1,716,846.82	
Cash with United States Treasurer	100,000.00—	3,278,560.66
		$15,356,705.11

LIABILITIES

Capital Stock—		
Paid in	$1,000,000.00	
From earnings	1,000,000.00—	$2,000,000.00
Surplus fund, from earnings		400,000.00
Undivided profits, net		101,068.33
Reserved for taxes		18,000.00
Circulation		2,000,000.00
Individual deposits	$7,464,328.30	
Bank deposits	3,373,308.48—	10,837,636.78
		$15,356,705.11

FIDELITY TRUST COMPANY OF PHILADELPHIA

Fifty Years of Successful Trust Company Service

MEASURED by all the standards applied to the usefulness and growth of fiduciary corporations, the Fidelity Trust Co. of Philadelphia, which this year completed its first half-century, has been remarkably successful. Its capital, surplus and profits, total resources and trust funds have steadily grown to large totals, while the dividends earned and paid have been both steady and substantial.

But more than these mere figures convey has been the careful, faithful attention given by the company to the various interests committed to its care, fully sustaining the term "Fidelity" used in the title.

This institution came into existence by special act of the Pennsylvania Legislature, approved March 22, 1866. Starting with $250,000 capital, the amount of this item has gradually increased to $4,000,000. The item "surplus and profits" first appeared in 1868, the amount being $3,023. Since then the accumulation has been rapid and continuous to the point of $12,843,648.49 reached in the present year. Deposits have risen from $214,988.86 in 1867 to $34,295,953.25 in 1916. Trust funds in 1873 were $4,700,000, while now they are over $204,000,000. Dividends have gradually mounted from three per cent. in 1867 to as high as forty per cent. on the capital of $2,000,000. Since the increase of capital to $4,000,000 the dividend rate has been twenty-four per cent.

These figures are recorded in no spirit of boastfulness; but they do show, and it is believed in a striking and impressive way, the really remarkable success which the company has reached, and thus without the least straining for mere size, but solely in pursuit of a policy which placed sound and efficient service above every other consideration.

SCOPE OF THE COMPANY'S OPERATIONS

WHILE acting in the general capacity of a trust company, and making loans on collateral, the Fidelity Trust Co. does not do a discount business. It acts as trustee of corporate mortgages, as agent for the registration and transfer of loans and stocks of corporations, and for the payment of coupons, registered interest and dividends. Income is collected under letters of attorney, and remitted or deposited to the account of the principal as may be directed. Letters of credit and travellers' checks are issued, and deposits at interest are received, subject to check. The usual trust company functions, including those of executor, administrator, registrar and transfer agent, are of course included in the business transacted. Under special charitable trusts the Fidelity Trust Co. has built and maintains and manages the Richard Smith Monumental Memorial in West Fairmount Park, the Smith Memorial Playhouse and Playground in East Fairmount Park, and has established and maintains under the will of Lucas Hirst the Hirst Free Law Library. The company also acts as treasurer and fiscal agent for a number of hospitals and other charitable organizations. It was among the first of the institutions to install safe deposit vaults. The provisions made for this important branch of business are such as insure the highest degree of safety and convenience.

	Capital.	Surplus and Undivided Profits.	Deposits.	Trust Funds.
1866	$ 250,000	$........	$	$ ....
1876	1,612,121	103,227	10,314,219	9,272,300
1886	2,000,000	1,602,191	15,162,089	30,815,673
1896	2,000,000	2,772,913	14,024,490	71,170,176
1906	2,000,000	7,564,675	24,672,154	108,376,664
1916	4,000,000	12,843,648	34,295,953	204,112,404

THE COMPANY'S STRENGTH

HAVING both the largest capital and the largest combined capital and surplus of any financial institution in Philadelphia, as well as the highest ratio of capital and surplus to deposits, it will be seen that the company's position is one of unusual strength. The accumulation of so much surplus in itself evidences the careful policy of the management. A special trust capital of $1,000,000 is maintained, invested in legal securities, and primarily responsible for trust obligations. The trust department is kept entirely distinct from the corporate business of the company, and the trust funds and investments are not mingled with the assets of the company.

THE MANAGEMENT

THAT which tells in the history of any business is the management. In this respect the Fidelity Trust Co. has been exceptionally fortunate. Its president, William P. Gest, was elected to that office on October 4, 1915, having previously held the position of vice-president. Jonathan C. Neff has been a vice-president since November, 1913, and William G. Littleton since November, 1915. The treasurer, George Hay Kyd, was elected to his present position in November, 1913, and Secretary Joseph McMorris has served the company in his present capacity since February, 1904. The dates of the accession of the other officers are: E. Price Townsend, assistant treasurer, December, 1910; assistant secretaries George P. Kimball and Thomas H. Atherton, December, 1911, and November, 1913, respectively; Charles H. Bannard, real estate officer, February, 1899; safe superintendent, Clarence North, October, 1902; assistant real estate officer, Washington Hersh, December, 1909.

The board of directors is one of unusual strength, comprising the following names: George Philler, Henry W. Biddle, William P. Gest, Edward Walter Clark, John S. Jenks, Jr., Charlemagne Tower, Edward T. Stotesbury, Morris R. Bockins, G. Colesberry Purves, Samuel T. Bodine, and Jonathan C. Neff.

A CONCISE STORY OF GROWTH

A GRAPHIC story of the company's progress is given in the accompanying figures:

STATEMENT OF CONDITION AT THE CLOSE OF BUSINESS, JANUARY 31, 1916.

Resources.	
Bonds and stocks	$20,412,095.40
Time and call loans	13,170,097.38
Mortgages	5,186,800.00
Real estate	1,280,979.00
Cash in banks	9,634,645.30
Cash in office	1,305,814.80
Accrued interest	239,031.82
	$51,229,463.70
Liabilities.	
Capital stock	$4,000,000.00
Surplus fund	11,000,000.00
Undivided profits	1,843,648.49
Deposits	34,295,953.25
Miscellaneous	89,861.96
	$51,229,463.70

In order to afford additional service the company opened on June 1, 1916, an uptown office at the northeast corner of Broad and Chestnut streets, convenient to Philadelphia's great retail shopping district.

Another Boston Trust Company Anniversary

CELEBRATING the twenty-fifth anniversary of its organization on June 9, 1891, the State Street Trust Co. of Boston has issued another of its series of historical pamphlets on old Boston, this one appearing under the title of "State Street Events." Old books, scrap books and historical societies have been drawn on for material and illustrations, and the result is a real contribution to the history of the city.

The first chapter, headed "Early Days of the Trust Company," gives the following sketch of the career of the State Street Trust Co.:

"Twenty-five years ago to-day, June 9, 1891, the State Street Trust Co. held its first directors' meeting in order to form the necessary plans for beginning business.

"The company was started by some of the directors and officers of the Third National Bank who believed it would be a convenience for the box renters of the State Street Safe Deposit Co. to have a trust company in the same room, in order that the box renters might have an accessible place in which to deposit or cash their coupons. The Third National Bank at this time had its rooms in the basement of the same building. The $300,000 stock of the trust company was first offered to the stockholders of the Third National Bank and was almost all subscribed by them.

"Moses Williams, Joseph B. Russell, Eliot C. Clarke, Frederic J. Stimson, Edward Atkinson, Thomas O. Richardson, Charles E. Sampson, Arthur Wainwright and Francis B. Sears were present at the first meeting of the board. Mr. Williams, Mr. Russell and Mr. Clarke are still serving as directors, the two former being also officers, and Mr. Stimson resigned only last year to accept a diplomatic position. At the second meeting William L. Chase and Royal E. Robbins were added to the board, the former becoming vice-president. Charles Lowell was the first actuary, continuing in this position until his death in 1906. Colonel William L. Chase died shortly after the organization of the company.

"On the first of July of the same year the company started in business with offices in the basement of the Exchange building, directly under the present rooms of the Federal Reserve Bank. At the end of the day new accounts, amounting to $8,898, had been opened by six depositors, who have banked with the company ever since, or until their death. It is interesting to note that the first loan taken by the bank was on Boston & Maine stock, which at that time was selling at $165 a share. (The loan has since been paid!)

"When the Third National Bank was consolidated with the National Shawmut Bank, the trust company became entirely independent of outside institutions and has remained so ever since. This policy, combined with the best of banking facilities and courteous attention, has been the greatest factor in the large and steady increase of the company's deposits. A number of officers and clerks have been with the company for more than seventeen years, which helps to ensure efficient service to its customers.

"During the latter part of the year 1900 the company moved from its early location in the Exchange building to the Union building, occupying the offices on the corner of State and Exchange streets. The deposits at this time were about $2,000,000, and after being in this excellent location eleven years these figures rose to about $13,000,000. In the present offices in the Worthington building the deposits have grown to over $24,000,000, represented by over fifteen thousand accounts. The increase

in deposits at each five-year period is as follows:

January 1:

1896	$ 1,241,353.10
1901	2,085,494.86
1906	7,180,658.66
1911	13,365,237.97
1916	22,313,338.22

In addition to the increased space, another inducement to move to the Worthington building was in order to have safe deposit vaults.

"In 1902 it was voted to open a branch office on Massachusetts avenue for the convenience of residents in that vicinity, and in 1905 the company erected its present building on the corner of Massachusetts avenue and Boylston street. This office is also equipped with safe deposit vaults, and is used by about 3,000 depositors.

"The capital stock has twice been increased until it now stands at $1,000,000, and $1,650,000 in surplus and profits.

"In February of this year the company purchased the assets and good-will of the Paul Revere Trust Co., which gives the State Street Trust Co. four offices: two downtown, one at 33 State Street and the other at 50 Devonshire street; and two in the Back Bay, the Copley Square branch being located at 579 Boylston street, and the Massachusetts avenue office being situated at the corner of Massachusetts avenue and Boylston street."

Under the management of Allan Forbes, who as vice-president and president has been active head of the company since 1905, and a competent board of directors, this company has become one of the strong and representative institutions of the city. Both Mr. Forbes and Mr. Ashton L. Carr, vice-president, have been with the company for the past seventeen years.

STATE STREET, BOSTON, IN 1849

Print owned by the State Street Trust Company and printed in their new booklet, "State Street Events"

CORRIDOR AND PRIVATE ELEVATOR, KNAUTH, NACHOD & KUHNE, NEW YORK

Knauth, Nachod & Kuhne in New Quarters

KNAUTH, NACHOD & KUHNE, whose familiar initials "K. N. & K." are known throughout the world, are now located in large and appropriate quarters in the Equitable Building at 120 Broadway, New York. Here on the third floor, some 20,000 square feet of floor space has been adequately fitted up to meet the needs of this historic institution.

As the visitor enters the bank through the main lobby, he finds himself in a large open room at the opposite end of which the tellers' cages of the banking department are arranged in semi-circular form. To the left one passes through a bronze gate to the commercial department and to the right a passage leads to the various other departments and to the partners' rooms. The entire quarters are pleasingly lighted.

In the arrangement of these quarters the utmost skill has been shown in utilizing every inch of space and locating the various departments with an eye to utility and efficiency as well as convenience.

THE removal of this firm to its present luxurious quarters serves to recall the steady development through which it has grown from a pioneer import house to its present position as an international banking firm of world renown.

EXECUTIVE OFFICES, KNAUTH, NACHOD & KUHNE, NEW YORK

A PRIVATE OFFICE, KNAUTH, NACHOD & KUHNE, NEW YORK

The foundation of this institution was laid when in 1839 Theodore Knauth of Leipzig, Germany, united with C. U. Storrow of Boston in establishing the firm of Knauth & Storrow in Leipzig. Soon after the name was changed to Knauth & Esche. In 1852 this name was again changed when Jacob Nachod, the head clerk, and Frederick Kuhne, the New York representative, were admitted to the firm. Ever since that time the firm has retained the name, Knauth, Nachod & Kuhne.

Theodore Knauth, the founder of the house, began his business career in Leipzig in 1822 as a young man of seventeen years of age. Later he went to Lyons in France and also spent some time in Mexico until 1839, when he founded the firm in Leipzig with Mr. Storrow. Mr. Nachod, who also began his banking career while still a young man, soon attained a position of prominence through his energy and zeal.

Frederick Kuhne, who at that time was the New York representative, was a significant personality in the business, social and political life of New York. He was the founder and a director in the Lincoln National Bank and represented as consul a number of German states.

The New York business developed rapidly. At first Knauth, Nachod & Kuhne confined themselves to import business, but the banking end of the business soon came to be the most prominent. From the beginning the firm made a specialty of acting as an agent for those who wanted to send their savings to Europe, or for Americans in Europe who wished to have funds remitted to them from this side. In this way relations with banks in many parts of Europe were established. Moreover, banks throughout this country entered into banking relations with Knauth, Nachod & Kuhne, and thus developed their foreign business.

COMMERCIAL DEPARTMENT, KNAUTH, NACHOD & KUHNE, NEW YORK

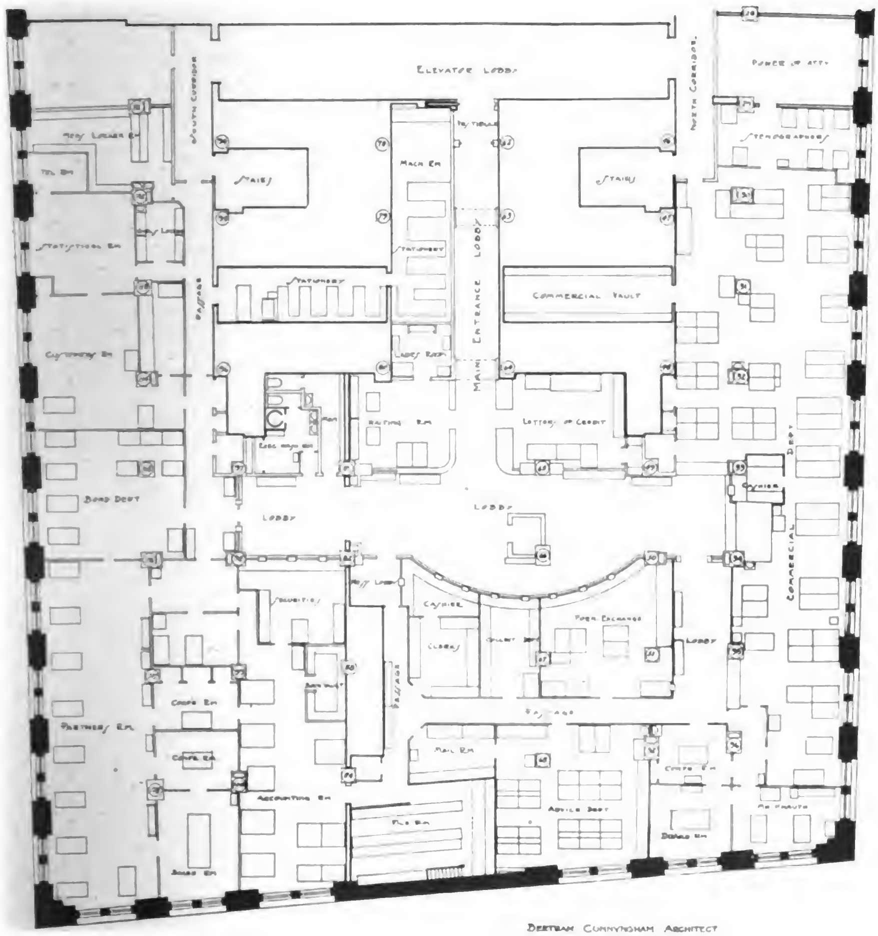
With the development of America and

FOREIGN EXCHANGE DEPARTMENT, KNAUTH, NACHOD & KUHNE, NEW YORK

BOARD ROOM, KNAUTH, NACHOD & KUHNE, NEW YORK

the remarkable growth of their banking and international business, Knauth, Nachod & Kuhne became an increasingly important institution. From a small bank in the then "wild West," with only a small modicum of foreign business, it proximately 13,000. An even greater number of European banks and bankers utilize the services of the New York firm as their American representative.

The original founders of the house are all dead. Their successors, however,



FLOOR PLAN OF THE NEW BANKING QUARTERS OF KNAUTH, NACHOD & KUHNE IN THE EQUITABLE BUILDING, 120 BROADWAY, NEW YORK

has now grown into an influential house which carries on every kind of international transaction and has a long list of foreign banking relations with whom they have been doing business for many years.

Knauth, Nachod & Kuhne estimate the number of banks and bankers in the United States whose foreign transactions are entrusted to their care as ap-

are following in their footsteps and are showing the same zeal and the same spirit of co-operation which characterized the original partners.

ONE of the most significant features of the business of Knauth, Nachod & Kuhne is its versatility. No matter

what financial service the individual may require he may be reasonably sure of being served by this institution, whether it be to open a commercial account, obtain a letter of credit, collect an inheritance, make an investment, obtain statistical information about any security, finance an importation or an exportation, remit funds to Europe, or

THE ORIGINAL HOME OF THE FIRM AT THE CORNER OF BROAD STREET AND EXCHANGE PLACE

in fact engage in any financial transaction of whatever nature.

Knauth, Nachod & Kuhne's travelers' checks are well known throughout the world, as are also the letters of credit issued by this firm. Because of the many years during which this house has maintained friendly relations with foreign bankers, the traveler who carries its paper is assured of every courtesy and attention.

A noteworthy feature of the business of Knauth, Nachod & Kuhne is the Statistical Department, where complete data and information about all kinds of securities are kept on file. In case information is not readily available the department stands ready to make a special investigation.

The Bond Department is under the charge of investment experts who are thoroughly experienced and carefully trained. As a consequence, only such bonds are offered for sale as are considered to be a safe conservative investment. The firm's list includes at all times a large number of first class railway, public service, industrial and municipal bonds. The monthly market letter of this department is very highly regarded by the investing public.

The Commercial Department is of special value to the importer, exporter, manufacturer or dealer who has to obtain commodities from abroad. Not only does this department extend commercial credit, but also undertakes to pay the duty on imported goods as well as looking out for the freight charges and disposing of the goods in the warehouses. Here also imports and exports are financed and commercial letters of credit issued.

SOME idea of the multifarious character of the firm's business may be obtained from this brief description of its departments. And yet all of these different departments work together in perfect harmony—all being dominated by the same spirit of "service to the customer."

It is this ideal of service backed by solid strength and conservative management that has brought about the remarkable development of this institution from the unpretentious import house of the early 50's to its present position as an international banking house of universal renown.

Book Reviews

How to Write Business Letters. Edited by Walter K. Smart, Ph.D. Chicago: A. W. Shaw Co.

THAT there is a right way and a wrong way to write business letters is a fact which may be learned from this very interesting book, if one previously lacked the information. Successful business letters have in them certain elements, which may be analyzed, classified and studied with profit. This does not imply that business-getting letters need be constructed in accordance with set forms or absolute rules, but that they do follow certain lines and principles and by attention to these the efficiency of sales letters may be greatly increased.

The suggestions made in this book rest upon sound reasoning, and the concrete illustrations given are of a helpful character. It is a book of decided usefulness to those who wish to become more proficient in the difficult art of writing letters that will bring business.

Organizing a Business. By Maurice H. Robinson, Ph.D. Chicago: La Salle Extension University. Price, $2, postpaid.

THIS work on business organization covers the field in a clear, systematic, and practical way.

Starting with a general discussion of the function of organization, the author describes the various elements, physical, industrial, political and personal, that enter into every organizing problem. He then takes up in turn individual proprietorship, partnership, joint-stock companies, and corporations, and sets forth the characteristics of each in detail.

Next we have a chapter on the formation of a corporation—promotion, financing, stock—preferred and common—and the corporation calendar. The nature and purpose of a corporation charter are given an entire chapter, and another is devoted to the subject of by-laws.

The rights and obligations of bondholders, stockholders, and creditors are treated in Chapter VIII, the functions of officers and directors in Chapter IX, and the working organization in Chapter X.

In Chapter XI business organizations and trusts are described, and in Chapter XII we have a comparison of the various types of organization from the point of view of efficiency.

The author, Maurice H. Robinson, holds the degrees of B. L. and M. A. from Dartmouth College and of Ph.D. from Yale. He has been professor of industry and transportation at the University of Illinois since 1902. He is associate editor of the "Journal of Accountancy," has been a special expert agent for the Census Bureau, and has served in an advisory capacity in various relations.

American and Foreign Investment Bonds. By William L. Raymond. Boston and New York: Houghton Mifflin Co. Price, $3.00 net.

THIS volume is intended as a complete practical and up-to-date guide for the investor and business man, showing just what factors must be considered in determining the investment value of every class of bond, both foreign government and domestic. The practical character of the bok is indicated by the fact that it was put together from talks given to the writer's

salesmen. It discusses clearly and simply the leading classes of investment bonds, and is a most valuable treatise on an important subject.

THE WORK OF A BANK. By H. T. Easton. London: Effingham Wilson.

WHILE this is written from the standpoint of English banking practice, it contains much information of a practical nature applicable to all banks, and will be found especially useful to those who are beginning their bank work.

The present volume is the fourth edition of this work, which has been revised and enlarged. It contains a plain description of the various banking processes, specimens of principal books used, and an introduction to the study of bank bookkeeping.

THE FINGER PRINT INSTRUCTOR. By Frederick Kuhne. New York: Munn & Co., Inc. Price, $2.00 net.

IDENTIFICATION by means of finger prints has been found useful in savings banks to prevent the withdrawal of funds by unauthorized persons, and a number of banks have already adopted this method. "The Finger Print Instructor" has been prepared to supply the demand for an elementary and practical work of instruction for those desiring to take up the study of finger prints, and also as a text-book for the use of experts.

Books Received

THE BUSINESS ADVENTURES OF BILLY THOMAS. New York: The Macmillan Co.

Record Attendance Planned for A. I. B. Convention in Cincinnati

IN anticipation of a record attendance at the A. I. B. convention, Cincinnati Chapter is busily engaged in perfecting arrangements for the accommodation and entertainment of delegates on September 20, 21 and 22.

Under the leadership of Gus. G. Hampton of the Fifth-Third National Bank as chairman of the hotel's committee, reservations are being made. The Hotel Sinton will be the official headquarters, while the Gibson, Emery, Grand, Havlin, Metropole, Palace and Savoy Hotels will accommodate many of the delegates and their friends.

An attractive feature in regard to the Cincinnati hotels is found in the fact that their rates are never increased during the time of conventions. It is said that delegates and visitors attending the two hundred conventions held in Cincinnati during the past two years left with a feeling of satisfaction concerning their treatment at the various hotels.

As members of the convention publicity committee, Cincinnati Chapter has appointed R. C. Smith, assistant cashier of the Citizens National Bank, chairman; John T. Ridgway of the Union Savings Bank & Trust Co.; C. E. Ford, of the Fifth-Third National Bank; John P. H. Brewster, of the German National Bank, and Max C. Ricker of the Citizens National Bank.

The entertainment features will include trips to various places of interest in and near Cincinnati, a full announcement of which will be made at an early date.

Under the leadership of Byron W. Moser, secretary of the St. Louis Union Bank, the "On Time" committee will see to it that the business sessions of the convention proceed with regularity and promptness.

Russian Banks and Banking

By Rodney Dean

ALL over the United States thinking men are waking up to the incalculable opportunities which Russia is offering for financial and commercial education and development. In view of this large and growing interest in all things Russian, we believe a few facts about banks and banking practices in the Czar's Empire will be of very practical value at this time.

When I first came in contact with the management of the Russian banks, I found the difference in organization and titles somewhat confusing. A bank here is managed by a council of, say, nine to eighteen members and a board of directors of, say, four to eight members. This board of directors, however, is in active charge of the affairs of the bank, and corresponds more to an American bank's staff of officers. There may also be appointed, usually from among the members of the board, individual directors or managing directors with still more specific duties. The body corresponding to our board of directors is the council, which supervises in general the affairs of the bank. There is a president of the council, an office corresponding to our chairman of the board, and sometimes also a vice-president. A certain proportion of both bodies retires automatically each year, but retiring members may be re-elected.

COMMERCIAL banking in Russia differs largely from our own in that each bank is heavily interested in its own industrials and perhaps railroads, the stock of which it holds in large blocks, with its own representatives on the directorates of the corporations in question. It is thus enabled to obtain a first-hand knowledge of much of the commercial paper it buys.

The Russian banks invest largely in commercial paper and call loans on stock exchange collateral, although the forms used are not the same as ours. Our familiar type of unsecured one-name commercial paper is prohibited here as a banking investment. Two-name paper (made on forms sold by the Government), or what we call in America a concern's bills receivable, is the form in which the conservative banks here invest most of their funds. A member of the inspection committee of one of the banks here told me that a large amount of this so-called commercial paper was what we call accommodation paper.

(These inspection committees are elected annually from the stockholders to formally examine the bank's condition. There are no other bank examiners such as we have.)

In the loans on call (as they are usually termed) the borrower does not sign a note, but is simply given a receipt for his collateral, giving the bank the right to sell him out if the loan is not repaid at maturity.

A third class of loans is the *suda* or loans for a fixed term to a bank's smaller customers on collateral, such as Government lottery bonds, which are very popular here. A large margin is required on these loans on account of the liability of the security to fluctuation, in case of a new issue, etc. No note is signed in this class of loan either. It is on the same principle as a pawnbroker's transaction.

There would probably be no objection by the Government to the use of our collateral notes, provided the stamp taxes were paid, but it is possible that

borrowers here might not want to sign such notes and it might have to be a process of education.

The conservative banks here, which invested mostly in two-name commercial paper, used to look down on those banks which did a large business in call loans on stock exchange collateral. Now, however, all the banks are in the same boat. The former class have in many cases a large amount of paper originating in territory now occupied, while the latter have a lot of collateral with only a nominal market.

ONE rather interesting practice here is the loaning of securities to industrial concerns to be used as collateral in getting credit with the excise department of the Government. The concern pledges the securities with the Government and gets six to nine months' credit on its excise. The bank gets the regular income on the securities and makes an additional two and one-half to four per cent. for the loan, practically doubling its income from this source.

Among the assets of a Russian bank also appear the items of "correspondents' accounts," "loro" and "nostro." The "loro" accounts arise about as follows. A bank may wish to take a big interest in an industrial concern, which interest it desires to retain in effect, but for one reason or another does not wish to show in investment account. To get around this they form a syndicate of dummy clients to open correspondents' accounts.

The "nostro" accounts are those of the bank with correspondents other than banks, such as private bankers and industrial concerns.

There are also "loro" and "nostro" correspondents' accounts on the liability side of the balance-sheet. Here the "loro" accounts mean money which foreign banks are keeping with the Russian bank, in roubles. The "nostro" accounts represent what the Russian bank is owing these other banks in foreign money. To put it another way, the difference between the two accounts is one of exchange.

The other items on the balance-sheet such as capital, cash, deposits, etc., are much the same as with us.

Rediscounting of commercial paper is done by the Imperial State Bank, which also alone has the power of note issue. In normal times the State Bank discount rate is naturally a little higher than the private bank rates. Now, however, it is just the reverse, as there is practically no commercial paper, a very large amount of business, especially in the provinces, being done on a cash basis.

On current accounts, etc., of course these high rates are made possible by correspondingly high rates to customers on loans and discounts. Many banks have a large number of branches scattered through Siberia and Central Russia where interest rates are extremely high.

The branch banking system is developed to a high degree in Russia, most of the big banks having branches all over the Empire as well as in other parts of the world. The quarters of the big Petrograd and Moscow institutions are often handsome, modern structures, comparing favorably with the best in America. A peculiarity of the Russian bank building is that it sometimes occupies two floors, unlike most of ours.

DOING business here is a great test of adaptability, as there are so many little formalities and practices peculiar to the country. In the first place, it is very frequently the case that a Russian business man of any prominence will not get to his office until eleven or twelve o'clock. If, however, you are lucky enough to find him in, you must be careful not to offend him by bringing your hat and overcoat into his private office. These must always be left outside.

If you happen to drop into an office or bank in the middle of the morning

or afternoon, you will see porters carrying around trays with glasses of tea. When everyone else has had his glass the porter sits down and has some himself. The Russians are great tea drinkers, and I was told by a Russian the other day that ten glasses a day would not be an exaggerated estimate for the average man's consumption. Perhaps this has increased since the ban on vodka. The tea industry is centralized in Moscow.

In Russia, as in most other European countries, the use of the check as a credit instrument has not been developed to any great degree. Personal checks are, in the first place, only good for a few days from date, and all out-of-town remittances are made by bank drafts. Practically the only use for personal checks, which are always drawn to bearer, is to obtain currency, which is the universal medium of settlement. To cash a check it is usually necessary to take it to the bank on which it is drawn and surrender it at the proper desk. After a wait of from three to twenty minutes, to permit of an elaborate checking-up process, the money is paid out by the cashier, or "artelshik."

Because of a general lack of information and a desire to cling to the old methods, the antiquated, expensive and tedious system of sending money by messengers is still used.

The "artelshiks" or handlers of money, form a unique class in Russian commercial life. They are joined into "artels" or guilds. These artels are responsible as a body for any defalcations of members, and in this connection also exercise the functions of an agency. Their members are assessed a very large percentage of their wages, which is invested for them by the artel. At the end of a certain number of years they may withdraw from the artel the amount to their credit, with which they may perhaps start in business independently. Some of the largest business houses of Russia have grown from such a beginning.

In closing, be it said for the benefit of Americans trying to do business with a Russian bank that the Russian language is spoken almost exclusively now that German is forbidden. Speaking through an interpreter is exceedingly unsatisfactory. The man who is observant and quick to adapt himself in every detail to Russian banking customs and who has a working knowledge of the language will be the man who succeeds.

PETROGRAD.

The Argentine Republic as a Field for American Capital and Enterprise

By Carlos A. Tornquist

MONEY, BANKS AND FINANCE*

THE basis of the currency in Argentina is the paper peso, the value of which has remained fixed in the proportion of 100 paper dollars equal to 44 gold dollars as established by law in 1899, and it is the duty of the Caja de Conversión to exchange gold for paper or vice versa at this rate. Owing to the war, however, exports of gold are prohibited at the present time and the Caja de Conversión is, therefore, not allowed to exchange paper for gold.

Nevertheless, the value of the paper dollar has remained practically unchanged, and no premium on gold has been paid during 1914-15 nor at any time since 1899, when the Caja was established.

*This is the third instalment of an article on the Argentine Republic by Carlos A. Tornquist, of the firm of Ernesto Tornquist & Co., Buenos Aires.—Editor.

The gold deposited in Caja de Conversión to-day amounts to..	Gold $242,140,130.24
The immobilized part of the Fondo de Conversión in the Banco de la Nación is	Gold 10,000,000.00
The gold deposited in Argentine Legations abroad is to-day..	Gold 63,668,873.25
	Gold $315,809,003.49
against total amount of notes in circulation	Paper $988,038,695.22
at 100 $ paper = 44 $ gold equal to........	Gold $434,737,025.90

The gold reserve is therefore now 72.64 per cent., and compares favorably with the gold reserve of any European state bank, held against its issue of banknotes.

Our gold represents gold $53.44 per head of population, against gold:—

$4.67½ per head of population in the United States.

$7.80 per head of population in Germany.

$25.60 per head of population in France.

$4.54½ per head of population in Russia.

$7.40 per head of population in the United Kingdom.

So far as total gold is concerned, it is the sixth largest amount that any country in the world possesses as guarantee for its currency.

The banks represent a capital of gold $185,187,918 (exclusive of reserves and surplus) with deposits amounting to:—

Gold, $627,637,416, and with a clearing return of:

Gold, $7,760,000,000 on December 31, 1913.

Gold, $5,402,000,000 on December 31, 1914.

against clearing returns in the United States of America of:—

United States, $175,000,000,000 on December 31, 1912.

United States, $170,000,000,000 on December 31, 1913,

and United States, $155,000,000,000 on December 31, 1914.

THE FINANCES OF THE ARGENTINE NATIONAL GOVERNMENT

THE finances of the Argentine National Government are in a sound condition and the ordinary budget is generally met out of current income without much difficulty, financial assistance being only required for the more important public works designed for the development and opening up of the outlying districts and latent sources of riches.

However, during the last two years the Government receipts have declined considerably, principally in consequence of the great decline in customs house revenue owing to the large decrease in imports; this can only be looked upon as a temporary state of things.

The Argentine Government and the city of Buenos Aires have paid punctually the services of their loans during the last twenty-five years.

OPPORTUNITIES FOR AMERICAN CAPITAL

THE enormous industrial, economical and financial progress made by the United States during the last years,

which has further increased owing to the European war, places that country to-day, economically, in the front rank amongst the civilized nations of the world, and obliges it to look around for suitable markets wherein to invest its surplus capital not required at home, and, taking all advantages and disadvantages into careful consideration, it will find that no other country offers such good opportunities for this as the Argentine Republic.

The war affords thus an unique opportunity for the United States to obtain a foothold in some of the financial, commercial and industrial businesses in the Argentine, which have hitherto been handled by Europe, and to initiate industries which have not yet been taken up. United States capital should take advantage thereof, the sooner the better.

This view is evidently entertained also in the United States, as some of the prominent banking firms have recently underwritten and brought out two loans for the Argentine National Government, have formed a syndicate of gold, $50,000,000, for business in South America, and have given facilities to Argentine banking and commercial firms to replace European credits cancelled on account of the war.

The high rate of interest in England and France, where the largest part of all Argentine bonds is held, and, on the other hand, the cheap rate of interest in the United States, should cause all the best state and private bond issues to go to the United States for placement.

POLITICAL AND MONETARY TROUBLES NEED NOT BE FEARED

BUT before starting to examine the different aspects of the Argentine Republic as a field for investment of United States capital, I would call attention to the fact that since a disturbance in 1893, which lasted but a few days, no revolts have occurred in the Argentine and it is confidently expected that the important political progress of the country will continue to produce as sound governments as have been directing its destinies of recent years, and which are the best safeguards against conspiracies and armed movements headed by the low class politicians of the old school.

Argentina's foreign policy, which some years ago was the cause of much anxiety to capitalists, is to-day most pacific, with a clear and open future, owing to the fact that the frontier disputes with all the neighbors have been satisfactorily settled, political relations with them never having been so cordial as they are to-day.

And now, after having explained that revolts are a thing of the past, and that there is no danger of war with neighbors, I shall make it evident to the investor that he need have no fear of what I should consider a fundamental danger; and that is: fluctuation in the value of Argentine money (gold premium).

As I have already pointed out, since the Conversion Law (the idea of which was conceived by my late father, Mr. Ernesto Tornquist), sanctioned in 1899, there have not been practically, any fluctuations in the value of our currency, which to-day has a proportionately large gold guarantee than any European currency; and not once, during the present disastrous war, has any premium on gold been regis-

tered. The value of the gold peso fixed by the Conversion Law of 1899, i. e., 44 cents gold equals 1 paper peso, may be considered as definitely established, and therefore losses by fluctuation in the value of Argentine paper currency need not be taken any longer into account.

BONDS

THE investments of foreign capital in the Argentine Republic, which reach a total of about 3,000 millions United States dollars, have been made up to the present chiefly by means of bonds, and this will, very probably, for years to come continue to be the principal form of investing capital there.

This item can be divided into two principal subdivisions, more or less equal in amount, each of them representing between thirty-five and forty per cent. of the total sum above mentioned. These are:

First—State bonds and

Second—Private company bonds.

Among the latter are included, according to the importance of the sums invested in them:

First—Public utility bonds, such as railways, tramways, etc.

Second—Debentures of mortgage companies; and

Third—Industrial companies.

The state bonds owned by foreign capitalists represent ninety per cent. of our total foreign debt, which yield 5—6½ per cent and of them in rough figures: forty-five per cent. are held in England, twenty-two per cent. in France, eighteen per cent. in Germany, and fifteen per cent. in Belgium. Belgium mainly holds mortgage bonds (cédulas) of the National Mortgage Bank.

Of the private company bonds, the railway bonds are held principally in England and France, the debentures of mortgage companies in England, France and Belgium, and the shares of industrial companies, which are of much less importance, are held in almost equal parts, in England, Germany, United States, France and Belgium. The best class of private company bonds yield more or less the same as the state bonds, i. e., between 5 and 6½ per cent. although at present good bonds can often be bought at a price to yield over seven per cent.

Amongst the most interesting investments for foreign capital I may mention the six per cent. mortgage bonds (cédulas) of the National Mortgage Bank. These have the treble guarantee of: the Bank, the Argentine Government, and the mortgaged properties. They yield at the present quotations about 6½ per cent; the five per cent. paving bonds of the city of Buenos Aires, redeemable before 1923 at par, can be bought now at about seventy-two per cent.; other municipal six per cent. bonds, and those of some of the more prosperous and well administered provinces can now be obtained to yield between 6½ per cent and 7½ per cent. on the invested capital.

We claim that our state bonds are to-day a better investment than those of any European country; better, not only because they yield higher interest, but also because they are not affected by the war.

But I limit these remarks to the bonds issued or guaranteed by the National Government or by the City of Buenos Aires; provincial and other municipal bonds must be considered as belonging to a different category of securities and require to be studied in each case separately.

MORTGAGES

AMONGST the companies which have distributed the largest dividends are, the big mortgage companies (French and Belgian); which have declared and paid dividends of between ten and fifteen per cent., some of them even more, although most of them have been obliged to reduce their dividends owing to the war.

The secret of the mortgage business carried on by foreign companies is that with a small share capital, only partly paid up, these companies have issued proportionately large amount of 4, 4½ and 5 per cent. debentures, and these funds have been placed on mortgage at between seven and nine per cent., according to times, clients and guarantee.

Lending money on mortgages is perhaps the most attractive investment at a fixed rate of interest, and it is the most popular amongst Argentine capitalists; this investment yields 7—9 per cent. p. a.

It is calculated that the investments of this nature amount to:

Gold, $700,000,000—Argentine capital.

Gold, $380,000,000—foreign capital.

Gold, $250,000,000—placed by the National Mortgage Bank.

There are at present good opportunities for placing money on mortgage, due to the fact that many European creditors are not desirous of renewing their loans at maturity of the mortgages, and demand reimbursement; besides, no new foreign capital comes to the country for investment in mortgages to replace that which must be reimbursed in Europe. There are also many debtors, who owe money in foreign exchange and who, being desirous of profiting by the high rate of exchange on France and Belgium, are willing to repay their mortgages in these countries even before maturity in order to negotiate another loan in Argentine or other favorable currency. There are firms here whose specialty is the placing of money in the name of foreign capitalists, and who charge a small commission for the placing of the money and the collecting and remitting of the interest.

LAND

FOR capitalists desiring to place their money in a permanent manner there are excellent opportunities to purchase rich lands at relatively low prices, either for the purpose of renting it, or exploiting it for agriculture or for ranching cattle, sheep or hogs. Such lands can generally produce, if rented, 7—10 per cent. on the invested capital, and when they are personally exploited by the owner generally yield more.

There are several large land and colonization companies formed with English and Belgian capital which are obtaining excellent results.

Hitherto the rearing of cattle and sheep and the agricultural pursuits have been the principal investment objects and only relatively few manufacturing enterprises have been established.

MANUFACTURES

THERE is, however, every reason to believe that following the example of older countries, like the United

States and Canada, Argentina will gradually develop manufacturing activity more especially in those branches for which she can produce the raw material. All manufacturing industries are, as in the United States, granted Government protection by means of heavy import duties.

This movement is likely to increase in intensity when the supply of oil from Argentine wells suffices to satisfy all demands for cheap fuel.

What is, therefore, wanted here in the near future more particularly, is the influx of men of initiative and experience, supplied with adequate means to manufacture articles for which the country has hitherto been dependent upon importation from abroad.

The war has already offered a favorable opportunity to our manufacturers of woollen and leather products who have been very busy for months past executing large orders for account of several European Governments and for local trade. In view of our large production of wool, hides and tanning material (quebracho), it seems natural that these industries will be among the first to develop on a large scale.

OIL AND MINING

AN industry which should be also especially interesting to North Americans, is the production of petroleum which is of great importance owing to the absence of other good fuel. There is much to be done with this source of wealth, for the exploitation of petroleum fields is still in its infancy.

In the Andes region there is much to be done in mining, but local capitalists know little about this industry and therefore are not pushing it.

CONSTRUCTIONS—GRAIN ELEVATORS

IN railways, tramways (street cars), ports, electric light plants there is ample room for all comers and, with few exceptions, such as railways in badly selected regions, all prosper.

Grain elevators: The Argentine Government is ready to support anybody wishing to establish them, and if necessary even subscribing part of the capital.

POULTRY AND DAIRY

AN excellent opening for United States citizens with small capital exists in the exploitation of poultry and dairy farms. These two items have not been worked as successfully as might have been desired, notwithstanding the favorable climate; failure is to be attributed solely to ignorance and lack of experience, and this applies especially to poultry farming, for the Argentine, though being essentially an agricultural and farming country, imports large quantities of poultry and eggs from Uruguay and, in normal times, even from Russia!

SUNDRIES

YERBA-MATE (a kind of native tea) and tobacco plantations have also been developed largely in the last few years.

The culture of rice, cotton, mulberry trees (for silk worms), jute, all offer brilliant outlooks judging by the results which have been obtained on a small scale, and the Government is willing to grant protection and even financial aid to those undertakings.

FRUIT AND TIMBER

THE fruit industry which should be capable of supplanting what is imported from California, Canada and Europe; timber of which large forests exist in several parts of the country, for the supply of logs and wood for building and furniture, quebracho for tanning and for railway sleepers, algarrobo for aniline, paving blocks, telegraph poles and posts for fencing, arau-

caria imbricata and others for wood pulp; all offer splendid openings.

In short, everything where experienced labor or personal work is required such as manufacture, irrigation, mining, petroleum. etc., is still in its infancy. Any United States citizen with a good training, experience and energy should, therefore, be able to make better and easier profits here than in any other part of the world.

Relation of American Banking to Foreign Trade

By John Clausen,

Manager Foreign Department Crocker National Bank, San Francisco

OUR foreign commercial relations cannot successfully be developed so long as it is necessary to operate through banking institutions of competing countries, and while the Federal Reserve Act provides for the establishment of branches by member banks in foreign countries, it is felt that few banks care to assume the risk separately. Jointly-owned banks would appear to best serve the requirements of the country as a whole, in that coöperation thrives best where action through association is legally possible and practically safe.

The new Bank Act is essentially intended—as a commercial banking system—to assist in the financing of our domestic and foreign trade and to provide a market for commercial acceptances based upon the importation and exportation of goods. Such instruments are therefore made for specific purchases of commodities which are to be converted into cash during the life of the document, tending at the same time to create a basic condition for automatic recording of such operations—an inherent factor for preventing over-extension of credit. In the case of time bills of exchange drawn on and accepted by banks or bankers of high standing, there is practical uniformity of security—not readily claimed when considering "commercial paper" with which the financial markets here are supplied, in that the strength of such obligations depends upon the standing of miscellaneous commercial interests.

While we cannot hope to see the New

York or San Francisco bill of exchange take the place of the well and favorably known bills on London, Paris or Hamburg, recent events and the dislocation of the financial structure in Europe have at least brought the possibility before the commercial world and tended to bring within our reach the power of competing on terms of equality with our foreign contemporaries.

The power of a bank to accept a draft or bill of exchange enables it to make use of and to sell its credit, and so lend —for legitimate use in trade—vast sums without depleting its reserve or impairing its capability for making additonal loans and advances to its clients.

Whereas the Federal Reserve Act permits member banks to accept bills of exchange, they are not at present authorized to extend such facilities to clients for the acceptance of drafts covering domestic transactions—although the New York Banking Law gives permission to state bank and trust companies for extending these facilities to cover both foreign and domestic transactions. This is likewise the case in Maryland, Utah, Vermont and Texas—the latter restricted to foreign acceptances only—but the laws of other states carry no provision for banks extending to their customers the use of credit in the development of commercial relations for domestic transactions, and it would seem apparent that state bank legislation throughout the United States be amended to harmoniously conform with the new and better system, and so complete the chain of banking facilities for the greater expansion of our commercial activities.

A merchant, for instance, instead of borrowing cash on a note from his banker, can arrange—for a stipulated commission charge—to use the bank's credit for a certain length of time and for a given amount. To make use of such facilities a time draft may be issued against the bank, which in turn affords the required acceptance. After this requisite has been secured the merchant is in position to either use the bill of exchange in the settlement of his trade obligations or sell same through a bill broker in the open market and so obtain available cash. The small merchant's paper—endorsed by his bank—is as acceptable as that of the largest corporation, backed as it is by the security of the bank, and therefore readily discountable by virtue of its high intrinsic value as the most liquid form of investment.

The world's commerce is almost in its entirety financed by bills of exchange, which in turn act as an index to the value of money. Increased trade, both domestic and foreign, very logically brings about a corresponding demand for credit, and while it may be comparatively easy to create credit, it is often a difficult matter to protect it, which—economically claimed—can only be accomplished by maintaining an adequate amount of gold.

The Federal Reserve Bank, with its holding of "gold and lawful money," can, for this reason, very effectively find employment of its resources in fostering and rendering assistance in the financing of our trade, as also in the creation of a broader market in foreign centers for the American bank credit, and especially in the recognition of the United States dollar acceptance.

RELATION OF THE DISCOUNT MARKET TO FOREIGN TRADE

THE matter of a ready discount market—comparing favorably with prevailing conditions in principal centers abroad—is worthy of very serious consideration, and while the feature of discount and rediscount provided for in the Federal Reserve Act may—in the main—be regarded as in the nature of a safety measure, it is hoped that as a principal aid to a more liberal system of financing our domestic and foreign trade the American market may effectively adjust its rates to conform with those prevailing in other financial centers of the world.

Of course, the value of money, apart from the question of whether the open market rate of discount is slightly under

or over the Federal Reserve Bank rate, will be governed by the strength of that institution, and the prospect of a demand upon its stock of gold reserve as is the case with our British friends and their relations with the Bank of England.

Single-name paper, as an acceptance or an accommodation in the nature of a loan, will not create a discount market such as we find in London, Paris and Germany, where the fluctuation of rates so largely depends on the demand for and supply of marketable bills of exchange—which owe their origin to trade transactions—as balanced against the condition of the international money markets. Low discount rates are an incentive to the revival of trade, as against advancing rates in turn acting as a natural check thereon, and these elements therefore become the pivot for a gradual increase or decrease in the demand for money.

While these conditions are proving symptoms in governing the discount rates in Europe, they cannot be compared with the influences brought to bear in the rise and fall of our call loan rates as quoted in the Eastern market, which only have an indirect relation to trade conditions and mainly register the speculative demand for stocks.

On the efficiency of our new bank laws must depend to a large extent the possibility of a great and favorable change in the international position of the United States, which will now enter into the competitive field of operation of other great financial nations.

New York is Greatest World Port

NEW YORK now leads all other ports of the world in commerce. A table published in the "Statistical Abstract of the United States, 1915," compiled in the Bureau of Foreign and Domestic Commerce, Department of Commerce, credits New York with an aggregate foreign trade of $2,125,000,000, which exceeds by $200,000,000 the commerce of London, now second in rank. In the matter of exports the preëminence of New York over London is even greater, export clearances from the American metropolis aggregating $1,194,000,000 in the fiscal year 1915, against $696,000,000 from London, a difference of more than seventy per cent.

The following table, condensed from a more extended one appearing in the "Statistical Abstract," shows the imports and exports of the twenty leading ports of the world in the latest available year:

Ports.	Imports. (Millions of dollars.)	Exports.
New York	931.0	1,193.6
London	1,232.1	696.0
Hamburg	1,084.3	817.3
Antwerp	623.2	588.2
Liverpool	810.0	836.0
Marseilles	389.6	365.7
Havre	357.9	258.8
Bremen	370.6	211.4
Calcutta	229.3	317.6
Bombay	202.8	225.4
Buenos Aires	200.8	140.4
Trieste	176.0	161.4
Singapore	186.4	145.4
Hull	199.7	130.5
Sydney	151.9	151.4
Genoa	199.8	103.1
New Orleans	79.7	209.4
Montreal	141.2	119.3
Boston	152.7	107.5
Shanghai	159.2	98.6
Manchester	164.2	93.2
Galveston	10.1	230.4
Glasgow	82.1	155.0
Kobe	140.4	83.4
Dunkirk	187.5	36.2
Yokohama	89.0	134.2
Alexandria, Egypt	91.1	116.1
Melbourne	118.4	86.4
Southampton	91.1	94.7
Petrograd	110.9	69.1

Banking and Financial Notes

EASTERN STATES

New York City

—The Mechanics and Metals National Bank of New York City has prepared a digest of the country-wide check collection plan, that is to be put into effect by the Federal Reserve Board on July 15. It is in pamphlet form, and shows how the project is expected to operate by which the facilities of the Federal Reserve banks are offered for a universal collection of bank checks.

Bankers throughout the United States are intensely interested in the proposed plan, for the reason that, if made effective, it will revolutionize American banking practice so far as check collections are concerned. The custom has been followed by banks throughout the country of charging "exchange" on checks received from distant points. The plan of the Federal Reserve Board comprises the collection of checks in all parts of the United States without any deduction whatever for exchange.

The pamphlet of the Mechanics and Metals Bank seeks to analyze the method by which this will be brought about, and is prepared expressly for those who have found difficulty in gaining a full knowledge of the Federal Reserve Board's check collection project.

—The Guaranty Club, composed of the officers and clerks of the Guaranty Trust Co. of New York, has leased the property formerly known as the Terra Marine Inn, located at Hugenot Park, Staten Island, N. Y., and will operate it exclusively for members of the club as a country house.

The hotel contains about eighty rooms, each room opening on a veranda. and many with private sun parlors. There is a grill room and a billiard and pool room, while the large, semicircular dining room overlooking the Atlantic Ocean is supplemented by a spacious porch pavilion. The attractions of the country house will include boating, swimming, fishing, driving, tennis, baseball, dancing, billiards, pool, etc., which will make it a very attractive place at which to spend holidays, week-ends, vacations or the entire summer. It will be under the direction of a special committee who will have charge of the details of operation under the supervision of the executive committee of the club.

Not the least interesting feature of the project is that the country house will be maintained by the club on the basis of cost of operation, which will

THE GUARANTY CLUB'S NEW HOME AT HUGUENOT PARK, STATEN ISLAND, N. Y.

make it possible for practically every employee of the company to avail himself of its advantages.

The formal opening of the Guaranty Club country house was celebrated on June 10 in connection with the sixth annual outing of the Guaranty Club.

ALEXANDER PHILLIPS
FOREIGN REPRESENTATIVE GUARANTY TRUST CO. OF NEW YORK

—The board of directors of the Guaranty Trust Co. of New York has declared a quarterly dividend of four per cent. and an extra dividend of one per cent. on the capital stock of the company for the quarter ending June 30, 1916, payable at the close of business on that date to stockholders of record June 22, 1916.

—Alexander Phillips, formerly secretary of the United States Mortgage and

WM. C. BRADLEY
ASST. TREASURER GUARANTY TRUST CO. OF NEW YORK

Trust Company of New York, has become associated with the Guaranty Trust Co. of New York, as their special

EDWARD S. MOORE
ASST. SECRETARY GUARANTY TRUST CO. OF NEW YORK

foreign representative. Mr. Phillips has had previous foreign banking experience with the Comptoir National d'Escompte de Paris, and the Credit Industriel of Paris.

Wm. C. Bradley, of the bond department, has been made assistant treasurer. and Edward S. Moore, of the loan department, and Hugh A. Duncan, of the transfer department, assistant secretaries of the company.

Sigmund Metz, assistant manager of the foreign department, has been appointed South American representative, and Adam H. Morham and Fred W. Trabold, assistant managers of the foreign department.

SIGMOND METZ
SOUTH AMERICAN REPRESENTATIVE GUARANTY TRUST CO. OF NEW YORK

—Zoheth S. Freeman, formerly vice-president of the Liberty National Bank, is chairman of the board of directors of the Bank of Alaska, recently organized at Skagway, Alaska, with a capital of $50,000, and a surplus of $10,000. The correspondents are the Guaranty Trust Co. and Liberty National Bank, New York; the Wells Fargo Nevada National Bank, San Francisco, and the

H. A. DUNCAN
ASST. SECRETARY GUARANTY TRUST CO. OF NEW YORK

Seattle National Bank, Seattle. The officers will be: President, Andrew Stevenson; vice-presidents, Andrew A. Benton and J. T. Westermann; cashier, W. H. Warren and, assistant cashier, George Huth. The bank will have branches at Anchorage and Wrangell, Alaska.

—T. D. MacGregor, vice-president of the Harvey Blodgett Co., bank advertising specialists, of St. Paul, Minn., has resigned to accept an important position in the department of publicity and new business of the Guaranty Trust Co. of New York.

Mr. MacGregor is well known to the bankers of the United States as a writer and speaker on financial advertising. and as the author of "Pushing Your Business," "Bank Advertising Plans," and other authoritative books on financial advertising.

He wrote the first three annual series of "Talks on Thrift" for the savings bank section of the American Bankers

T. D. MacGregor

AUTHOR OF "PUSHING YOUR BUSINESS," AND OTHER AUTHORITATIVE BOOKS ON FINANCIAL ADVERTISING, WHO HAS RECENTLY ACCEPTED AN IMPORTANT POSITION IN THE DEPARTMENT OF PUBLICITY AND NEW BUSINESS OF TH GUARANTY TRUST COMPANY OF NEW YORK

Association, and for the past eight and a half years has been editor of the banking publicity department of THE BANKERS MAGAZINE.

—There was a dinner given last month at the Longe Vue to Frederic G. Lee, president of the Broadway Trust Co., on account of the Broadway Trust Co. having passed the $25,000,000 deposit mark. The original Broadway Trust Co. was organized fourteen years ago at Eighth street and Broadway. The board was all present, also the executive committee.

Colonel Guinzburg, on behalf of the directors, presented to Mr. Lee an elaborate solid silver traveling set. Colonel Guinzburg was toastmaster, and all the board members responded to toasts, eulogizing Mr. Lee.

—It is probable that the July dividend and interest fund this year will exceed $225,000,000, says the June market letter of Knauth, Nachod & Kuhne. Owing to the resale of foreign-owned American securities to this market, the amount required for paying interest and dividends to foreign investors will be much below the sum usually remitted at this season in any of the last twenty years. In spite of the European selling that has taken place, there exists still a good demand for high grade bonds and seasoned dividend stocks. This inquiry will probably increase as the dividend fund is disbursed, since good securities are still available at prices showing a more liberal income than that represented by the quotations of the money market.

Philadelphia

—Norman T. Hayes, of the Philadelphia National Bank, was elected president of the Philadelphia Chapter, American Institute of Banking, at its annual meeting last month. In addition to the following officers were chosen: Vice-president, Anthony G. Felix, People's Bank; secretary, William A. McCamy, Fourth Street National Bank: treasurer, Howard E. Deily, Tradesmen's National Bank; assistant secretary, Paul D. Cressman, Franklin National Bank.

The following were elected to the board of governors to serve for three years: Paul D. Cressman, Franklin National Bank; Anthony G. Felix, People's Bank; Norman T. Hayes, Philadelphia National Bank; William A. Nickert, Eighth National Bank; Thomas W. Smith, First National Bank.

—At a cost of $75,000 the Moshannon National Bank will erect a three-story reinforced concrete fireproof building, in which will be housed a modern banking house, five stories and basement, fifty-two offices, single and en suite, and an assembly room measuring 2,400 square feet. The building will be of cage-type construction, gypsum blocks being used in each unit, which

will permit rearrangement of offices to suit tenants.

The building will measure 120 feet on Front street by 90 feet on Pine street. The banking rooms will occupy the Front and Pine street corner, and will be equipped with every modern convenience and facilities of an up-to-date banking institution.

Officers of the Moshannon National are: J. N. Schoonover, president; D. Ross Wynn, vice-president; C. G. Avery, cashier. In addition to the officers the following compose the directorate: W. C. Andrews, J. E. Horn, E. E. Jimeson, Dr. W. W. Andrews, C. H. Rowland and J. W. Stein.

—Work has been begun on the construction of the new home for the Bank of Buffalo.

—At a recent meeting of the Albany Chapter of the A. I. B., the following officers were elected: President, Mills Ten Eyck, Albany County Savings Bank; first vice-president, Alfred L. Taylor, National Savings Bank; second vice-president, Arthur Koch, Manufacturers National Bank of Troy; treasurer, J. Raymond Roos, National Commercial Bank, and secretary, Edmund W. Corrie, New York State National Bank. Board of governors for one year, Edmund W. Corrie and John C. O'Byrne; for two years, Mr. Polk and Mr. Smith; for three years, Mr. Sheary and Mr. Williams. Delegates elected: Messrs. Trowbridge, O'Byrne, Williams, Ten Eyck. Hotaling and Krause.

—Arthur A. White of the City Bank of Syracuse was elected president of Syracuse Chapter, American Institute of Banking, at its annual meeting last month. The other new officers are: First vice-president, A. B. Merrill, Trust and Deposit Co. of Onondaga; second vice-president, H. L. Holzer, Salt Springs National Bank; secretary, R. B. Porter. Trust and Deposit Co. of Onondaga; treasurer, H. W. Parrett, First National Bank; librarian, George L. Coling, Merchants' National Bank.

No delegates to the national convention at Cincinati were elected. Neither was it finally decided as to whether the chapter would be represented by two delegates, as in the past, or by one delegate from each bank. The entire matter was referred to the board of consuls, which will meet in the near future and report its findings to the advisory board.

—Elizabeth, N. J., bank deposits are nearly $15,000,000 and local bankers are all reporting favorable business conditions. The deposits in the local banks are reported as follows: Union County Trust Co., $5,900,000; National State Bank, $4,286,000; Elizabethport Banking Co., $2,100,000; Union County Sav-

ings Bank, $1,000,000, and Elizabeth Trust Co., $700,000.

—Work is progressing rapidly on the new building of the Keystone Bank of Harrisburg, Pa.

—The Homestead Savings Bank and Trust Co. of Homestead, Pa., has completed the new quarters for its foreign department. Bertalan Ranky is in charge of this department, which not only takes care of the financial interests of immigrants, but gives counsel and advice in regard to social and educational matters.

NEW ENGLAND

Boston

—The Trust Department of the National Shawmut Bank has issued a pamphlet containing the text of the new Massachusetts Income Tax Law and explaining in brief its principal provisions.

—When the State Militia was called out last month on account of Mexican developments, President Bancroft of the International Trust Co., who has shown great interest in the cause of military preparedness, immediately posted this notice: "Until further notice all men in the employ of the International Trust Co. who have been called to military service will continue to receive their salaries in full."

—The Dorchester Trust Co., Boston, which was established December 2, 1907, by Herbert A. Rhodes, president of the company, has recently passed the $4,000,000 mark in its deposits. The deposits in the savings department at the same time were $2,091,000, the highest point they have reached. This is an increase in a year of nearly $900,000 in total deposits and of over $400,000 in savings deposits, and an increase in the latter since last January of over $200,000. The dividend rate has recently been increased from six to eight per cent. The Dorchester Trust Co. makes a specialty of collecting checks, notes and drafts anywhere in the United States free of charge to its customers.

—The Old Colony Trust Co. has issued a pamphlet containing the text of the new Massachusetts Income Tax Law with an explanatory article by Professor Charles J. Bullock, Chairman of the Department of Economics of Harvard University.

—Eugene V. R. Thayer, president of the Merchants National Bank of Boston, and of the newly organized Boston Morris Plan Co., is the latest addition to the board of directors of the Industrial Finance Corporation.

—According to Frederic H. Curtiss, chairman of the board of the Federal Reserve Bank of Boston, the country-

wide check clearing plan ordered by the Federal Reserve Board to be put into use on July 15 is "simply extending throughout the entire country the so-called Boston clearing system."

"The proposed plan is doubly interesting to the New Englander," says Mr Curtiss, "for it is simply extending throughout the entire country the co-called Boston clearing system, inaugurated as far back as 1900 (which followed quite closely the London plan of 1858, still in operation), through which, each day, checks on all but a very small percentage of banks and trust companies in New England are collected at a nominal overhead cost and free of exchange charges."

—At the annual meeting of the Massachusetts Bankers Association held June 17, the following officers were elected for the coming year:

President, Charles B. Cook, cashier Metacomet National Bank, Fall River; vice-president, George E. Brock, president Home Savings Bank, Boston; secretary, George W. Hyde, assistant casier First National Bank, Boston; treasurer, J. H. Gifford, cashier Merchants National Bank, Salem.

Executive council, Ashton L. Carr, vice-president State Street Trust, Boston; B. F. Smith, treasurer Cambridge Trust Co.; F. S. Whittemore, treasurer Gardner Savings Bank; E. D. Whittaker, treasurer North Adams Savings Bank; H. C. Robinson, cashier Mechanics National, New Bedford; J. C. Heyer, vice-president Federal Trust Co., Boston; John E. White, president Worcester National Bank; James O. Otis, president Warren Institution for Savings, Boston; Charles G. Bancroft, president International Trust Co., Boston.

CHARLES B. COOK
CASHIER METACOMET NATIONAL BANK, FALL RIVER, MASS., ELECTED PRESIDENT OF MASSACHUSETTS BANKERS' ASSOCIATION

—Next autumn the Charles River Trust Co. of Cambridge, Mass., will occupy a new building to be erected this

summer upon the site of its present banking rooms, where it will offer to the public the advantages of first-rate banking facilities, including a savings department, safety deposit boxes, storage room, coupon rooms, and a special room for ladies.

Until the completion of the new building, the company will occupy temporary quarters in Dane Hall, on the Harvard Yard, just across the square.

—The Third National Bank of Springfield, Mass., has moved into its fine new home in the first and second floors of the handsome skyscraper erected for it under the Hoggson building method by Hoggson Brothers, contracting designers of New York and Chicago. The bank opened for business in its new quarters on June 5, and a reception was held in the new building on June 3, when al the friends and customers of the bank were given an opportunity to inspect its new home.

NEW HOME OF THIRD NATIONAL BANK, SPRINGFIELD, MASS.

The new building is designed with low polished granite base, Indiana limestone walls for the first three stories, and brick above, with terra cotta trimmings and cornice. The first two stories have been treated as a unit to form a base for the whole building.

The banking room presents an appearance of great beauty and dignity which is equalled by few banking quarters in the country. The eight floors above the banking rooms are entirely given over to office space, twenty-five to each floor. The ninth floor has been set aside and is especially equipped for the exclusive use of physicians, surgeons and dentists. More than seventy-five per cent. of the entire office space has been rented.

Hoggson Brothers retained the services of Starrett & Van Vleck, of New York, as architects, and B. Hammet Seabury, of Springfield, as associate architect. The entire scheme of the Third National Bank building, both inside and out, is simple and dignified, showing an intelligent use of materials in artistic combination and achieving a result that is expressive of the purpose for which the building is used. An interesting feature of the erection, even in these days of rapid construction, is worthy of more than passing comment. It was the twenty-ninth day of April, 1915, that the contract was entered into between the bank and Hoggson Brothers for the planning and erection of the building. Just one year later, April

29, 1916, the day on which the building had been promised to the owners, the formal acceptance of the office portion was signed. During the construction all manner of unpreventable delays were met with, any one of which were serious enough to cause a falling behind in the schedule.

The Third National Bank was incorporated in 1864. The present officers of the bank are: President, Frederic Harris; vice-president. O. E. Doty; vice-president, Frederic M. Jones; cashier, G. C. Stebbins, and assistant cashier, H. S. Kaplinger.

—The Rhode Island Hospital Trust Co. of Providence, in its semi-annual statement of April 29, 1916, shows total deposits of $47,547,055.25, this being the highest point of deposits that this company has ever reached. The surplus and profits at that date stood at $3,400,000.

—The Industrial Trust Co. of providence in its statement of April 17, 1916, shows total deposits of $57,250,-000. A recent tabulation of the deposits of this institution shows a growth since its organization in 1887 remarkable for a bank in a city the size of Providence. The figures are as follows:

Dec. 31, 1897	$ 188,731.11
Dec. 31, 1890	2,036,599.20
Dec. 31, 1895	4,658,022.16
Dec. 31, 1900	11,395,529.67
Dec. 31, 1905	40,238,615.66
Dec. 31, 1910	41,554,402.87
Dec. 31, 1914	46,826,732.62
Dec. 31, 1915	53,863,650.43
Apr. 17, 1916	57,250.025.99

—The opening of the new First National Bank, Bangor, Maine, resulting from the consolidation of the old First National Bank and the Kenduskeag Trust Co., took place recently. The banking rooms were thronged by customers and callers, all of whom admired the splendid quarters and equipment. All were shown every attention by the officials of the bank. The different rooms and the great vaults were

shown visitors, who were much impressed with the modern equipment.

—The third annual joint convention of the Bankers Associations of the New England States was held in Swampscott, Mass., June 16 and 17, the New Ocean House being headquarters. Many members were present from the various associations and the Tedesco Country Club nearby was thrown open to the visitors. Friday evening was given over to a banquet and entertainment and Saturday meetings of the various associations were held, followed by a general meeting at which addresses were made by the Hon. F. A. Pezet, former Peruvian ambassador to the United States, on "Trade Relations With South America"; Mr. Andrew J. Frame, on "Are Governmental Activities Hampering American Progress?" and Mr. Edward F. Prefz, field secretary of the Chamber of Commerce of the United States, on "The American Bankers' Responsibility Toward National Content." The session closed with a ball on Saturday evening.

Hartford, Conn.

At the annual meeting of the United States Bank, held June 6, the directors were all re-elected and they in turn re-elected the following officers:

President, Henry L. Bunce; vice-president, John O. Enders; cashier, William B. Davidson; assistant cashier, William H. Rowley.

The directors re-elected were: Morgan G. Bulkeley, president of the Aetna Life Insurance Co.; Samuel G. Dunham, president of the Hartford Electric Light Co.; Atwood Collins, president of the Security Trust Co.; John O. Enders, William E. A. Bulkeley, auditor of the Aetna Life Insurance Co.; Morgan B. Brainard, vice-president and treasurer of the Aetna Life Insurance Co.; D. Newton Barney, treasurer of the Hartford Electric Light Co., and Henry L. Bunce.

From a photograph by Pach Bros.

Will This Presidential Year Be Critical?

WALL STREET usually thinks a national election means "bad business." And this country's financial history lends weight to that belief. But with all the signs pointing to prosperity and with unprecedented events occurring abroad it may be that the present campaign will be crowded from the centre of the stage. In any case, it is well to get all the elements of the situation clearly before you as they are presented by Alexander Dana Noyes in this month's Financial World department of Scribner's. "In a Presidential Year" is his article, an excellent instance of the way timely financial subjects are treated with authority and aptness in each issue of Scribner's.

July SCRIBNER'S

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SOUTHERN STATES

Richmond

[*Special Correspondence*]

—The remarkable growth in the clearings of Richmond banks continues without abatement and justifies the claim made by financiers here that this city is justly entitled to a high position among the leading financial centers of the country. For more than a year the clearings have steadily increased until now they show more than $2,000,000 a day. This is more than double what they were a year and a half ago.

The Richmond Clearing House Association reported for the first twenty-four days in May a total of $59,055,346 for the corresponding period last year the amount was $32,658,591, showing an increase for this year of $26 396,755.

—The syndicate organized by the ·an National Bank and F. E. Nolting & Co., of this city, who recently purchased the $2,000,000 of Richmond city four per cent. bonds have resold the entire amount to investors. The syndicate that made the original purchase included several New York concerns.

The readiness with which the bonds were resold is indicative of the high financial standing of Richmond.

—More than $1,000,000 was distributed by the banks, trust companies, insurance and industrial and railway companies in this city, as a semi-annual dividend on July 1. Of this amount the banks paid out $333,527. The Virginia-Carolina Chemical Co. paid out about $400,000, and the Virginia Railway & Power Co. $236,400.

The First National Bank with a capital stock of $2,000,000 paid out $100,000, based on a five per cent. semi-annual dividend.

—The remarkable increase of the clearings of the Richmond banks keeps

up and is a source of great gratification to the bankers and business men of the city. There has been a steady growth of the clearing for the past year and a half, the increase being particularly noticeable in a comparative statement of the periods of this year with similar dates a year ago.

During the first twenty-one days of June, 1916, the clearings of the Richmond Clearing House Association amounted to $50,095,097. For the corresponding period last year, $28,164,-665, showing an increase over last year of $21,930,432, or more than a million a day for the two-thirds of the month.

The above figures do not include the clearings of the Richmond Country Clearing Association.

—Colonel Thomas B. McAdams, vice-president of the Merchants National Bank, has received a letter from a firm in Atlanta asking the cause of the great increase in the bank clearings of Richmond and wants to know if the increase is due to the presence of the Federal Reserve Bank and the recent establishment of the Richmond Country Clearing Association.

In reply to the communication it was stated that the country clearing association was not figured in the amounts given out by the Richmond Clearing House, which included only the checks passing through this institution.

It was also pointed out that Richmond was enjoying a part of the general prosperity that obtained all over the country and which was felt particularly in the South.

The Federal Reserve Bank of Richmond has been a money maker since it was established in November, 1914, and has been the largest money maker of any of the twelve banks. The rediscounts of the bank have been heavy, which was indicative of the large demand on the member banks of the district for money for the business en-

terprises of the territory tributary to this bank.

—The Washington Chapter of the American Institute of Banking has elected the following officers and governors for the coming administration:

President, R. L. Neuhauser, Munsey Trust Co.; vice-president, P. A. Brunger, McLachlen Banking Corporation; treasurer, F. Petit, Merchants Bank; secretary, C. Ehninger, National Capital Bank; assistant secretary, William H. Pardoe, National Savings and Trust Co.; chief consul, C. T. Beaumet, Riggs National Bank; board of governors, Charles D. Boyer, Riggs National Bank; John A. Fugett, American Security and Trust Co.; Burdett Kelly, Comptroller of the Currency's office; H. V. Haynes, Riggs National Bank, and R. E. Pollock, Home Savings Bank.

—At a meeting of the board of directors of Pascagoula National Bank, of Moss Point, Miss., W. B. Herring was elected to the position of cashier, as successor to J. W. Barrett, resigned March 1; E. A. Colle was elected to the position of assistant cashier, as successor to W. B. Herring, promoted as above.

—On the first day of the administration of Judge Edward Gray, who has actively assumed office as president of the Dallas Trust and Savings Bank, came the announcement, from other members of the bank's staff, that plans will soon be under way for a new bank building for that institution.

A committee was appointed some time ago to consider plans for building a new home for the bank. With the death of S. J. Hay, however, a vacancy was created in the committee, and further action was suspended until the election of a new president.

With the assuming of office by Judge Gray, the vacancy in the building committee was automatically supplied, and it is understood that steps will be taken in the very near future to complete plans for the new building.

—The Fort Worth State Bank of Fort Worth, Tex., is now located in its new permanent home at Main and Thirteenth streets. The building, which the bank will occupy has been leased to the institution by Mrs. Winfield Scott, a director, who desired to have the bank located in a building with plenty of space.

—At a meeting of the Atlanta Chapter of the American Institute of Banking held last month the following officers for the ensuing year were elected:

J. W. Speas, Trust Company of Georgia, president; A. G. Matthews, Fourth National Bank, vice-president; J. A. Bankston, Atlanta National Bank, secretary, and J. P. Crenshaw, Central Bank and Trust Corporation, treasurer.

These were elected delegates to the

national institute convention, to be held in Cincinnati next September:

W. V. Crowley, of the American National Bank; T. W. Townsend, of the Fourth National Bank; J. W. Speas, the new president; T. I. Miller, of the Central Bank and Trust Corporation, and J. C. Latimer, of the "Southern Banker."

WESTERN STATES

Chicago

—The Chicago Chapter, American Institute of Banking, has elected the following officers for the ensuing year: President, A. Floreen, Central Trust Co.; vice-president, James J. O'Connor, Harris Trust and Savings Bank; financial secretary, C. B. Peterson, Union Trust Co.; corresponding secretary, W. F. Murphy, First National; treasurer, F. H. Raddatz, Continental and Commercial National Bank. Norman Collins of the First Trust and Savings Bank, and Schuyler P. Johnson were elected to serve three years on the board of directors, and Guy W. Cooke of the First National Bank and O. F. Meredith of the Continental and Commercial National for one year.

—James I. Bush of the Second Ward Savings Bank of Milwaukee has been appointed Chicago representative of the Guaranty Trust Co. of New York. Mr. Bush will assume his new duties on July 1.

St. Paul

—The American National Bank of St. Paul is erecting a new building at the corner of Seventh and Robert streets, the heart of the retail district. It will be six stories high and the bank will occupy the entire second floor, a space of about 140 by 60 feet. The building is to be completed by September 1.

On May 1 this bank had total resources of $4,591,465.36 and deposits of $3,953,399.45. The Northern Savings Bank, which is under the same management, had deposits of $1,749,226.89.

—A comparison of the May 1, 1915, and the May 1, 1916, statements of the First National Bank of St. Paul reveals a remarkable growth during the past year both in deposits and in total resources. Deposits which on May 1, 1915, were $35,265,981.85 had increased on May 1 of this year to $51,433,946.12, while total resources had increased from $41,005,412.44 to $57,243,416.13. The First National has a capital stock of $3,000,000 and a surplus of $2,000,000. On May 1 last it showed a profit of $532,702.28. The present roster of officers includes the following: Louis W. Hill, chairman board of directors; Everett H. Bailey, president; Cyrus P. Brown and Otto M. Nelson, vice-presidents; Charles H. Buckley, cashier; Edwin Mott, Henry B. House, Charles E. Gall and George H. Wichman, assistant cashiers.

Minneapolis

—The Bankers Trust Company and Savings Bank of Minneapolis is now organizing and expects to open for business September 1, 1916. It is said that already some 250 banks and bankers have subscribed to its stock and it is hoped that in a short time this will be increased to 500. The proposed officers are: President, Harry W. Parker; vice-president, F. S. Graham; secretary and treasurer, F. E. Bryan.

—The second largest building permit since the beginning of the new year has been issued in Minneapolis to the Metropolitan Building Co., composed principally of officers and stockholders of the Metropolitan National Bank, for the construction of an eleven-story bank and office building, at the corner of Second avenue south and Sixth street at a cost of $430,000.

Work on the basement excavation and foundation has been under way for some time and construction has reached that stage where the stone, brick and structural steel workers are ready to begin. The ground floor will be occupied by the Metropolitan National bank and the structure will be complete one year from date.

Cleveland

—The Cleveland Trust Co. has issued a pamphlet entitled "Questions and Answers About the Cleveland Foundation." The Foundation was created by resolution of the board of directors of the Cleveland Trust Co., the object of which is to administer funds contributed by the people of Cleveland for the benefit of the City of Cleveland.

—In October, 1896, a little less than twenty years ago, the total resources of Cleveland state and national banks mounted to $99,661,000. In March, 1916, when the latest reports were

MINNEAPOLIS

FIRST AND SECURITY NATIONAL BANK

Resources over $70,000,000.00

Correspondence Invited

made, the resources amounted to $455,-815,000. The gain is 355 per cent. Cleveland, also, has more than $160.-000,000 in savings deposits.

—The Morris Plan Bank of Cleveland, capitalized at $500,000, of which ex-Governor Herrick was an organizer. and Secretary of War Baker is a director, has been in operation only since March 8. In its first thirty-one days its loans, amounting to $52,225, exceeded the combined loans of the New York and Kansas City companies in their first four and a half weeks. In April its loans aggregated $72,400.

St. Louis

[*By a Special Correspondent*]

—J. R. Leavell, assistant cashier of the Mechanics American National Bank, St. Louis, has been attending the East- ... artment, United States Military

J. R. Leavell

ASSISTANT CASHIER MECHANICS-AMERICAN NATIONAL BANK, ST. LOUIS, MO.

Training Camp at Plattsburg, N. Y., for the first period of June 5 to July 2.

Mr. Leavell was invited to visit West Point en route, and to inspect the United States Military Academy at that point.

Mr. Leavell, one of the most prominent young bankers of St. Louis, is an ardent advocate of preparedness, and is is in keeping with this spirit of patriotism that he voluntarily decided to spend the month of his vacation in training camp.

❁

—The Thirtieth Annual Convention of the Iowa Bankers Association was held June 20-21 at Waterloo.

—The bankers of Group 10, Illinois Bankers Association, have elected the following new officers: Chairman, J. E. Mitchell, Carbondale; vice-chairman, T. B. Lee, Harrisburg; treasurer, Thomas M. Karraker, Mounds. Executive committee and delegates to state convention at Danville, F. B. Jackson, Madison; H. R. Aisthorpe, Cairo; J. E. Mitchell, Carbondale; John B. Jackson, Anna.

—Elmer J. Obendorfer has been named manager as well as secretary-treasurer of the new Morris Plan bank of Youngstown, Ohio. Mr. Obendorfer was formerly identified with the City Trust and Savings Bank, when, under the direction of Hugh W. Grant, vice-president and treasurer, he obtained a splendid foundation of experience in every phase of successful banking. Mr. Obendorfer's appointment is very warmly commended by the business men and bankers of Youngstown.

—The Bank of Evansville, Wis., has shown a noteworthy deposit growth dur-

ing the past four years, as is evidenced by the following figures:

May 1, 1912	$272,434.14
May 1, 1913	303,495.05
May 1, 1914	368,726.69
May 1, 1915	364,027.14
May 1, 1916	417,808.80

L. T. Pullen, father of the present president, and grandfather of the present cashier and assistant cashier, was the original founder of this bank in 1870. The present officers are: George L. Pullen, president; P. P. Pullen, cashier, and J. S. Pullen, assistant cashier.

—The Denver chapter, American Institute of Banking, at its annual meeting chose the following officers for 1916: A. E. Ferguson, president, First National Bank, Englewood; H. M. Jackson, vice-president, German-American Trust Co.; W. S. Larson, treasurer, First National Bank; Giles F. Foley, secretary, Denver National Bank; J. F. Kennedy, financial secretary, First National Bank. Sever Daley of the Pioneer State Bank was elected executive councilman to the Colorado Bankers' Association. The following will represent the chapter at the national convention in Cincinnati next September: George A. Brown, A. E. Ferguson, Sever Daley, Roy Clarkson and W. O. Bird. These delegates were instructed to do all in their power towards bringing the national convention to Denver next year.

PACIFIC STATES

—Owing to prolonged dry weather and a sharp frost in Northern and Central California, prospects for grain and fruit are not so encouraging as they have been in former years, says the American National Bank of San Francisco in a recent financial letter. On the other hand, market conditions are excellent and growers who have any products to sell may confidently look for good prices. A shortage of feed is having its effect upon the live stock industry. Increased production and higher prices in lumber are restoring that industry to its former position of prosperity.

—The eleventh annual convention of the Oregon State Bankers Association was held last month in Portland. Officers elected were:

Fred L. Myers, La Grande, president; E. D. Cusick, Albany, vice-president; J. H. Booth, Roseburg, treasurer; John L. Hartman, Portland, secretary.

By a vote of about three to two, a resolution was adopted opposing the federal reserve bank's proposed check clearing system for out-of-town items.

—The old banking home of the Portland Trust Co. at the southeast corner of Third and Oak streets, has been sold for a consideration of $200,000 to a syndicate of Portland and Eastern capitalists, headed by Harrison G. and Robert Treat Platt, who, with their associates, expect soon to occupy the property with a savings bank which they now are organizing.

Arrangements for the organization of the new bank have not yet been completed, but the concern expects to be ready for business within the next three months.

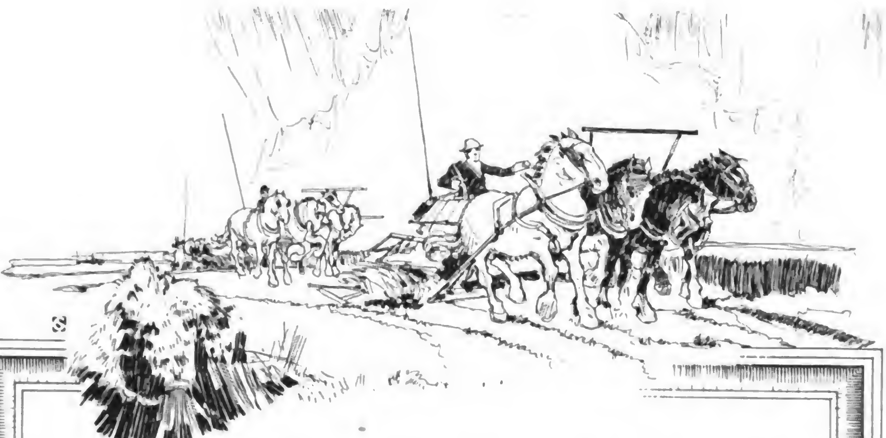
The new bank will conduct a strictly savings business, says the "Portland Oregonian." No commercial accounts will be carried. Neither the capitalization nor the personnel of the board of directors has been determined. It is certain, though, that the Platts will hold a substantial share of the stock and occupy places on the directorate. Robert Treat Platt now is a director of the Lumbermen's National Bank. He stated that a number of Portland men and some Eastern capitalists will be interested with him and his brother in the new enterprise.

In launching their new enterprise the Platt brothers have expressed the belief that they will provide Portland with an economic and a commercial necessity. Robert Treat Platt pointed out that there is now no savings bank in the city, strictly divorced from commercial banking business. Obviously, he said, this acts as a handicap both on the banks doing a savings business as well as to those who would attempt to obtain loans from savings banks on real estate security.

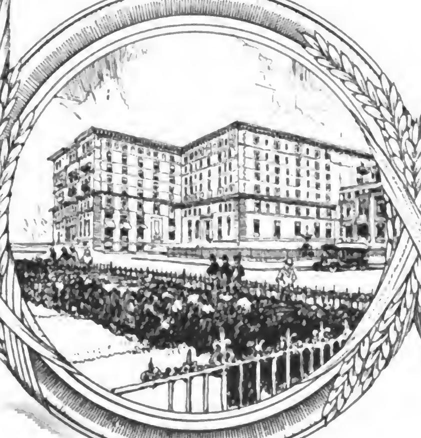
While the detailed plans of operation have not been determined, it is understood that the new bank will pay three per cent. on savings deposits, which will be the prevailing rate of the existing banks after July 1.

—At a meeting of the board of directors of the Montana Trust and Savings Bank, Helena, Montana, F. J. Lange, who for years was an officer of the Thomas Cruse Savings Bank, was chosen assistant cashier. He has been in the employ of the former bank ever since it purchased the Cruse interests.

—At the close of business May 1, the James River National Bank, Jamestown, North Dakota, showed total resources of $1,244,239.27 and deposits of $1,018,831.36. This bank was founded in 1881, and has been largely instrumental in promoting the rich agricultural and cattle industry of Stutsman County. The officers are: President, H. T. Graves; vice-president, S. F. Corwin; cashier, A. B. De Nault.



Royal Alexandra Hotel. Winnipeg



Grain Elevators at a Prairie Station

Carlos A. Tornquist

[Mr. Tornquist, who recently visited the United States, is head of the firm of Ernesto Tornquist & Co., Ltd., Buenos Aires, the oldest banking house in the Argentine Republic]

THE

BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SEVENTIETH YEAR AUGUST 1916 VOLUME XCIII, NO. 2

Spending Money For That Which Is Not Bread

MUCH is said about preparedness in these times, though few are giving attention to one of its most important phases—the conservation of the people's income. Here are some items in our national expense bill, the compilation being attributed to President Eliot of Harvard:

Intoxicating liquors	$2,200,000,000
Tobacco	1,200,000,000
Jewelry and plate	800,000,000
Automobiles	500,000,000
Church work at home	250,000,000
Confectionery	200,000,000
Soft drinks	120,000,000
Tea and coffee	100,000,000
Millinery	90,000,000
Patent medicines	80,000,000
Chewing gum	13,000,000
Foreign missions	12,000,000
Total	$5,565,000,000

If a board of national efficiency experts, made up of all classes of our people, were called on to cut down these expenditures, great divergence of opinion would surely develop. Men accustomed to the use of intoxicants and tobacco would want to economize on church work at home and foreign missions, while the religious members of the board would take a contrary position. About the expenditure for millinery men and women would differ.

That this tremendous outlay for things that are in part useless and in part harmful could be wisely and largely reduced admits of no question. The sheep-like jaws forever working on chewing gum might appropriately be given a rest at an annual saving of thirteen millions of dollars, if the above figures are accurate. "Soft drinks" cost us, according to this statistician, $120,000,000 a year. Their actual value, while so much good water abounds, is probably less than nothing. They add no element of strength to the human body or mind, while many of them are positively harmful. If the patent medicines, bought at an annual outlay of $80,000,000, were dumped into the sea, mankind would be the gainers however the fish might suffer.

Tea and coffee occupy debatable ground, while expenditures for jewelry, plate and automobiles can be defended upon reasonable grounds. Enjoyment, health and business have all been promoted by the use of the automobile, and surely no one would class expenditure on this account as unproductive.

Liquor and tobacco are responsible for a yearly outgo of $3,400,000,000. These are the big items. If we are to have adequate national preparedness, ought not public opinion immediately be resolutely addressed to a sharp diminution in the vast waste going on from these sources?

The aspiring politicians, eager to arouse the national spirit in favor of military preparedness, pay scant attention to wasteful expenditures. But if we are to attain to real strength, like that of the Spartans of old, we shall have to ask ourselves the serious question, "Why spend money for that which is not bread?"

THE BANKER AND THE FARMER

AT the recent meeting of the Central Group of the Montana Bankers Association, Herbert S. Woodward, vice-president of the First National Bank of Hobson, Mont., spoke on "Better Farming and the Country Banker's Relation to It." He said that volunteer advice was apt to be resented, and especially "when a lily-fingered, white-collared banker attempts to tell a ro-

bust, horny-handed farmer how he ought to run his farm." But Mr. Woodward's advice was not so much to the farmer as to the banker. He emphasized the value of placing examples of better farming among the farmers, and told of the following work being done along that line:

"For instance, at Hobson we have been trying for two years past to get some of our small farmers to buy sheep. We have offered to furnish the money both for the sheep and to fence the land with tight fence. We would have offered five per cent. interest or no interest at all if we had thought it would help. We finally induced one farmer, a man from Illinois, where he is a bank director, by the way, to buy 500 ewes. If he makes money and is successful it will have more influence on his neighbors than all the books ever written and all the speeches ever made and all the advice ever tendered. James J. Hill very clearly realized this when he started demonstration farms all along the Great Northern Railway."

The farmer is willing to be shown in a practical way, even by a banker who wears a white collar. What he is apt to resent is the theoretical talk of the banker who may not know whether turnips grow on trees or in the ground.

Great praise has been bestowed upon the model farms operated by the Government, by state authorities and by universities, and Mr. Woodward pays a deserved tribute to the work of the late James J. Hill along that line. In every rural community bankers may aid in carrying on demonstration farms, and thus help to raise the general level of farm productivity and increase prosperity. Of course, while engaged in developing model farms the bankers will not forget to conduct model banks, otherwise the farmers may not omit to point the finger of scorn at them for failing to cast the beam out of their own eyes before endeavoring to dislodge the mote from the eyes of their agricultural brethren.

DRIVING BUSINESS AWAY

THIS story comes from a bank man whose credibility is undoubted, otherwise it could hardly be accepted as true:

"A woman having an account with one of the largest savings banks in New York for years, and never having drawn any-

thing, purchased a piece of property and asked for $500 of her $900. The teller said, 'Why don't you take it all?' And she did."

This is important as illustrating the mental attitude of certain savings banks toward depositors—the "don't-care-for-your-business" kind of bank. They are more numerous than might be imagined, particularly among the Eastern mutual savings banks. Many of these banks seem to have about all the business they care for, and are indifferent about increasing their deposits. This is illustrated by the scant attention they give to any effective sort of advertising.

But even if these banks have all the business they want and if they look upon any large addition to their deposits as something calculated to disturb the leisurely course of operations, it would nevertheless seem that as creatures of the state they have a duty to perform to the people, and this ought to serve as a spur to greater activity than they generally display.

There are a good many sections of the country where an entirely different disposition prevails among the savings banks—and among other banks, too, for that matter—and where active efforts to increase deposits are being made all the time.

The indifference displayed by the mutual savings banks in regard to new business probably explains the comparatively limited development of these institutions. Does it also indicate that they may have reached the maximum of their usefulness and are henceforth to decline in importance?

A SWELLING PERIOD

PRICES keep on rising. Foreign trade is expanding. National bank resources total fourteen billions—the highest figure ever reached. New schemes are cropping out daily, and the promoters are getting busy. Surplus bank reserves, by legislative legerdemain, have been boosted up to the top-notch. And so it goes all along the line. Everybody talks of big things. Listen to these swelling phrases from a recent address by the Comptroller of the Currency on the topic, "The Billion Arrives":

"A new world of trade and finance is opening to us. The Sec-

retary of the Treasury, William Gibbs McAdoo, born in Georgia, educated in Tennessee, and who spent the early years of his professional life in the city of Chattanooga, with the aptitude and promptness of a statesman of the largest mold, has been leading and co-operating personally with the citizens whose vision leaps far beyond the limits to which we have been accustomed, and sees for our country in the South and Central Americas prospects of wealth exceeding in reality the most glittering fables the earliest European adventurers sent from Peru to Spain to dazzle men's thought."

That it is hard for those holding on to the ropes to keep their feet on the earth while the gas-bag is swelling is painfully evident. Men's minds are becoming inflamed by these dazzling prospects so alluringly pictured by Comptroller Williams.

It is with no disposition to throw a monkey-wrench into this swiftly-whirling joy-riding machinery that this MAGAZINE feels compelled to utter a warning that the pace is just a little too rapid for safety. We are not unmindful that a new banking law is now in operation which, its friends claim, "will make panics impossible in the future." But is it not possible that this much-vaunted measure may be engendering the very conditions that superinduce speculation and lead to panic? What contributes more to expansion and speculation than "easy money," such as we now have? In the old days the rate on call loans sometimes soared above 100 per cent., and this was an effective check on speculation. At these periods of high rates for call money the ordinary commercial rate was but slightly affected. This is not arguing for a return of the "good old times" of 100 per cent. money. Still, there must be some kind of check on expansion and speculation. Will it ever be imposed by a banking system controlled by political appointees of the President? Will they dare brave the political attacks that would be made upon them for imposing salutary restraints upon credit expansion? At least we may judge of the future by the present. A political campaign is now on. The banking system controlled by political appointees of the President has taken step after step to make interest rates lower and lower and to tempt expansion and speculation. The present era of inflation is a striking witness of the effect of this policy. What is coming? It is not the purpose of this MAGAZINE to essay the rôle of prophet. In other years, however, such condi-

tions as prevail to-day have universally been the harbingers of panic and disaster. Have we sound warrant for believing that financial history will not repeat itself?

The gain in bank reserves is partly theoretical. That is, it was brought about by reducing the reserves which the law required. Of course, there has been a considerable gain by additions to the gold stock. But has this gain been commensurate with the added burdens the banks have assumed as a consequence of the new obligations imposed upon them by the war?

It must be remembered that the Federal Reserve System added no single dollar of fresh capital to the banks of the United States, and the tremendous expansion in our banking, over which there has been so much official exultation, therefore rests upon a less secure basis than could be desired.

There is no purpose in what has been said to raise a cry of alarm. But it is meant, and with emphasis, to sound a note of caution. Business conditions in the United States to-day possess many elements of solid strength. Yet there are some disquieting signs. It is a time to shorten sail.

INVESTMENT OF SAVINGS DEPOSITS

WITH a view to the further safeguarding of savings deposits in national banks, Hon. E. J. Hill of Connecticut has introduced in the House the following amendment of the Federal Reserve Act:

"National banks conducting savings departments, with savings accounts segregated and with the five per centum reserve maintained against them as required for time deposits under the Federal Reserve Law, may invest the deposits in such departments according to the laws regulating the investments of savings banks in the states in which such banks are located: *Provided,* That the state law shall have been approved for that purpose by the Federal Reserve Board and regulations prescribed by said board for the supervision and examination of such savings bank departments of national banks."

This provides for the segregation of savings deposits and their investment according to the laws of the states regulating such investments. While many bankers advocate this policy, others oppose it on the ground that it creates a preferred class of depositors. The matter has been argued at length before bankers' associations for a number of years.

Probably if Mr. Hill's amendment is adopted, the savings departments in national banks will become more active competitors with the existing savings banks than they have been heretofore, for in a general way they will be placed on a par with them. This greater competition may not be welcomed in all cases.

Before the enactment of the Federal Reserve Law there were two classes of commercial banks—state and national—growing up side by side. Now we have substantially two systems of trust companies and savings banks as well. In other words, gradually the national banks are coming into the exercise of all functions heretofore belonging to the state institutions, besides having some special functions of their own. Some of the state banks have not relished this invasion of a field they had come to regard as their own. On the other hand, the national banks chafed under restrictions which prevented them from engaging in some forms of business which were permitted only to state banks.

The ability of a single institution to render complete banking service is an ideal held by many bankers. This ideal could not be attained by the national banks prior to the passage of the Federal Reserve Law.

Mr. Hill's proposed amendment would tend to greater safety for deposits in savings departments of national banks, and this is certainly a strong argument in its favor.

FLIRTING WITH THE TRUSTS

HOW the times change! For almost a generation everybody has been denouncing the trusts as the fathers of iniquities. They were Nazareths out of which no good could come. Every politician now living of any prominence gained a large part of his popularity by denouncing the trusts. Bryan, Roosevelt, Wil-

son and Taft all have had a hand in the game of flaying these predatory monsters.

But all this is of a bygone age. Before us there lies—in these Democratic days, too—a report of the Federal Trade Commission virtually upholding the trusts. True enough, the recommendation does not go beyond a plea for permission for our manufacturers to combine for the export trade. That is to say, we do not mean to subject our own people to the exactions of the trusts, but have no objection to their squeezing the foreign devils.

The recommendation of the Federal Trade Commission on the matter under consideration is a candid and sensible presentation of a problem of much importance. As stated in the report, our exporters find themselves in competition in the foreign field with vast combinations of capital, possessing almost unlimited resources and strength, and these can be successfully opposed only by allowing our manufacturers to combine for foreign trade. As admitted by the report referred to, these great combinations formed in other lands are in some cases finding a foothold here.

That a combination of American manufacturers for the purpose of extending our export trade would have many advantages, admits of no doubt, though just why a trust for foreign trade should be so white and a trust for domestic trade so black, does not seem clear at first sight. Can it be that our altruism breaks down at the three-mile limit? Has the politician who weeps so copiously over the woes of our trust-oppressed people no tears left to shed for the downtrodden of other lands? Or does he shrewdly say, "Oh, hang the vote of Patagonia and Timbuktu; I'm after the ballots cast in Pennsylvania and Tennessee"?

A Transaction in Bonds*

By MONTAGUE GLASS

IT was a beautiful autumn morning. A soft breeze from the river stole through Mr. Goodel's office window, and eddied so gently around his bald head that, instead of sneezing, he sighed. Thence it ambled into the outer office and tugged at every button in the garments of Jimmie Brennan, the office-boy.

"At Fulton Market dock," it whispered, "there's good swimming."

"G'wan, what yer tryin ter do—kid me?" Jimmie's subconsciousness jeered, while its owner industriously continued to index the letter-book. "It'd freeze de insides out'n yer!"

So back it flew to Mr. Goodel.

"I ask you in all seriousness," it almost hissed, "shall commercial paper and investment securities prevail over golf?"

And Mr. Goodel, being of weaker stuff than Jimmie, closed his roll-top desk with a bang and seized his hat and cane.

"I'm going up-town on a very important matter," he said.

Jimmie looked at him mournfully. This cutting business an hour before noon was becoming too frequent of late.

"What will I tell Mr. Luddington?" he asked.

For a man of fifty-five Mr. Goodel blushed rather easily. The operation, however, might be termed painting the lily, for normally this gentleman's face was of a hue to pale the flamingo's wing.

"Why, tell him I've gone up-town on a very important matter, of course," he declared.

Jimmie glanced at Mr. Goodel and, dropping his eyes, snorted eloquently. Luddington was Goodel's brother-in-law, and the roseate hue of Goodel's countenance was largely due to his example and encouragement. Despite Luddington's convivial habits, however, Jimmie knew that he held a business engagement sacred; and on the previous day he had distinctly heard Goodel make an appointment with his brother-in-law for the purchase of some bonds. The securities were to be delivered in person by Luddington at a quarter to one o'clock that afternoon.

"How about dem bonds, Mr. Goodel?" he said.

"Oh, yes—about those bonds," Goodel replied. "When Mr. Luddington brings them here, put them in the small safe."

He went back to his room and unlocked the safe in question.

"Be careful to see that you lock it again, after you've put the bonds in," he admonished Jimmie, "and you can go home at four."

"Where will I phone you if anyt'ing turns up, Mr. Goodel?" Jimmie inquired artfully.

Goodel cleared his throat and looked serious. Even trivial lies have a hardy growth, and they travel so fast that no one, least of all the liar himself, can predict their ultimate size or destination.

"I shall be—er—in several places," he stammered. The small railroad folder in his breast pocket felt like an unabridged dictionary. "You'd better not attempt to reach me up-town." He paused with his hand on the door-knob. "Don't forget to lock the safe after you put the bonds in," he concluded, and passed out, whistling.

Ten minutes after his employer had

left Jimmie was midway in the perusal of a tattered dime novel.

Its cover displayed, in yellow and red, a most spirited representation of the burglar-hero opening a huge bank-vault, an incident which was elaborated in the text. The author described how the "yeggman" solved the combination lock by tentatively revolving the knob and noting the almost inaudible clicks that betrayed the correct numbers.

So convincing was the language employed that it fired Jimmie's imagination. He rose from his desk, and, entering Mr. Goodel's room, closed and locked the little safe. For almost two hours he revolved the knob of the combination in every conceivable manner. In vain he listened with strained attention; not the faintest click rewarded his efforts.

As he reseated himself at his desk, Luddington entered.

"H'lo, Jimmie!" he cried in his usual jovial fashion. "Where's the boss?"

"Now he's gone up-town, Mr. Luddington," Jimmie replied, "on an important matter."

Luddington clucked impatiently.

"That's too bad," he said. "I have some bonds for him."

"I know ut," Jimmie answered. "He says fer you to leave 'em wit' me."

"Oh, he did, did he?" Luddington cried testily. "Why, there are ten of them, at a thousand apiece, with the coupons attached."

Jimmie's face fell as he proffered Luddington an assurance he didn't feel.

"Dat's all right, Mr. Luddington," he said. "I'll take good care of 'em."

Luddington looked doubtful.

"What will you do with them?" he asked.

"Put 'em in the safe," Jimmie stammered huskily.

The whistle of a neighboring factory shrieked a recall to its toilers from their midday lunch. Luddington pulled out his watch.

"By George!" he exclaimed. "It's one o'clock, and I'm due on the exchange in five minutes! Here they are, and be sure to take good care of them."

He threw the bonds on the desk, and bolted out of the office.

Jimmie examined the securities carefully. They represented, in their crisp perfection, the highest development of the steel engraver's skill. Each coupon was in itself an artistic feat, and the fine green lines accentuated the whiteness of the parchment paper.

He counted them again before putting them into his inside breast pocket, and secured the opening with a bank pin. Then he ate his lunch, with the dime novel propped up against the inkwell on his desk; but a second reading failed to elucidate the matter of the locked safe.

For the rest of the afternoon Jimmie sat in front of the safe, fruitlessly revolving the knob. At four o'clock he locked up the office and wandered disconsolately down-stairs. There the sunny autumn afternoon propelled him to the river front, and, unconsciously, his footsteps shaped themselves toward Fulton Market dock.

He picked his way through the empty fish-barrels to the string-piece, where stood Ignatius Ryan, the same they call Whitey. Ignatius was garbed in a scapular and not much more, and his teeth chattered incessantly as the cold wind smote his naked shins.

"Why don't you jump in, Whitey?" said Jimmie, seating himself on the edge of the wharf.

Whitey struggled with a temporary ataxia of speech.

"Aw, w-w-w-hy d-d-d-on't y-y-y-er j-j-j-ump in y-y-y-yers-s-s-self?" he barely managed to enunciate.

By way of reply Jimmie emitted a succession of jeering guffaws, which seemed to infuriate the shivering Whitey. Ignatius made a dash for his tormentor, and a moment later the two of them were struggling in a strong flood tide.

When Jimmie rose to the surface half a dozen ropes were within easy reach. He was speedily hauled back upon the dock, shrieking lurid threats at Ignatius, whose repartee, revived by the sudden plunge, grew no less profane.

"Wait till I get yer wanst!" Jimmie shouted. "I'll lift de face off yer, dat's all!" And there followed a wealth of bitter anathema that might have enriched the vocabulary of a truckman.

Jimmie proceeded up the wharf and along South Street, dripping a track of muddy water behind him. A salt stream ran down his face from his hair, and mingled with the tears which came with a realization of his predicament. His cap was lost and his only suit of clothes was dirty beyond description.

In the excitement of the past half-hour he had entirely forgotten the bonds. At the remembrance of them, his hand sought his breast pocket. With shaking fingers he removed the pin and drew out a bundle of papers whose stained and soggy condition bore no semblance whatever to the crisp beauty of Mr. Luddington's bonds.

All that evening he sat in a flannel nightgown, busily plying a rubber eraser, but without avail, for as fast as he removed the spots, his falling tears stained the wrinkled paper anew. His mother, meanwhile, stood at the wash-tub and renovated his muddy clothing with a vigor that testified eloquently to the thoroughness of his chastisement.

There was little sleep for Jimmie that night, and next morning, as he trudged, hollow-eyed, to his work, he turned over in his mind every justification he might proffer Mr. Goodel for his disobedience. He arrived down-town without having formulated any excuse, and a quarter of an hour late to boot. So preoccupied was he, as he mounted the steps, that he failed to observe two policemen who blocked the doorway, and plunged blindly into them.

"Where are you bound for?" one of them asked.

"Aw, leave me go!" said Jimmie. "I woik here."

"Oh, you do, do you?" the policeman ejaculated, and grabbed him by the shoulder.

"Come on, you," his captor said, and dragged the strugging Jimmie up-stairs.

Luddington and Goodel stood in the outer office as Jimmie and the policeman entered. Goodel's ruddy complexion had faded to a dingy shade of purple, and the corners of Luddington's mouth turned downward in a most unaccustomed fashion.

"Here he is!" the officer announced.

"Well' don't strangle him," said Luddington, with his hand on the door-knob of Goodel's office. He turned to Jimmie. "Do you know anything about this?" he asked, and threw wide the door.

Jimmie gasped in convincing astonishment. The little safe stood doorless on its side in the middle of the room, surrounded by a pile of torn and scattered papers. Its iron door rested on Goodel's desk, while the doors of the big safe in the corner swung ajar, one of them supported by only the bottom hinge.

"He doesn't know," Goodel muttered.

"What time did you leave here yesterday?" Luddington asked.

"Four o'clock," Jimmie murmured in tear-choked accents.

Here the policeman took a hand.

"What time did you get home?" he persisted.

Jimmie sobbed convulsively.

"Six o'clock," he croaked.

"And where were you between times?" his inquisitor bellowed.

This was too much for Jimmie. He sank down with his head on the desk, and wept unaffectedly.

"Now look here," Goodel protested, "I won't have the little chap bullied any more." He laid a comforting hand on Jimmie's shoulder. "It's all my fault," Luddington," he continued. "If I hadn't been an ass and gone off to play golf, I might have put the bonds in my safe-deposit box instead of the safe, and they wouldn't have been stolen."

Jimmie lifted his head from the desk.

"Dey wuzn't in de safe," he said.

"What?" gasped Luddington, Goodel and the policeman in concert.

" 'N' it ain't up ter me, neider," he sobbed. "Whitey pushed me in."

"What d'ye mean?" Luddington shrieked.

For answer, Jimmie unpinned his pocket and handed the soiled bonds to

Goodel. They were as limp as Japanese napkins.

"I cleaned 'em as good as I could," Jimmie continued.

Then, piecemeal, they drew from him a disconnected but comprehensive account of the day's adventure. It omitted, nothing, not even the dime novel.

"Jimmie, you young dog," said Goodel, after he had regained his composure. "I forbade you ever to read dime novels in this office, and no sooner was my back turned than you did."

Jimmie hung his head.

"That's all right, Goodel," Luddington broke in. "You told him to put the bonds in the safe and he didn't. I guess that makes it square, and you'd better forgive him."

A broad grin spread itself over Goodel's face.

"He gets one more chance," he said, pressing a bill into the boy's fist, "and twenty dollars to buy a new suit of clothes with. Now get out of here, Jimmie—you smell like a fish-market!"

John Law of Lauriston—A Notable Bicentenary

F. H. ALLEN in the London Bankers Magazine

A FEW miles westward from Edinburgh, near the picturesque village of Cramond and overlooking the waters of the Forth, stands the ivy-covered mansion of Lauriston Castle. The hoary pile is rich in its historic associations, for it is linked with a personage remarkable alike in the history of Scotland and of France—a child of the "Ancient League" born late in time—and whose remarkable story it would be difficult to parallel either in our own or any other age. The bicentenary of the Bank of France presents a fitting opportunity for again recalling this strange meteoric genius from the mouldy records of the past, and, as it were, from a niche in the venerable turrets, seeing his ghost again enact the tragedy—for tragedy it mainly was—of a phenomenal career. The charm of centenaries lies in "the backward glance o'er travelled roads" which they afford.

It is the year 1671 and the Edinburgh registers of April 21 record in their laconic way among the baptisms: William Law, Goldsmith, and Jean Campbell, a son named John. The William Law referred to was a prosperous goldsmith and banker in the Scottish capital, and Jean Campbell, his spouse, was of the Argyll clan. Their eldest child was thus ushered on a troublous world with a two-fold equipment, to wit: opulent circumstances and good family. His early education was befitting his birth and station, and early in life, besides considerable literary prowess, he showed a peculiar aptitude in the various branches of mathematics and political science such as the times acknowledged. In the year succeeding his purchase of Lauriston Castle the old goldsmith died, a lamentable misfortune for a youth of John Law's temperament, who, released from parental control, plunged wildly into the vices of the time. Edinburgh

was too slow for him, and in London, whither he went, gambling and debauchery soon made inroads upon his patrimony. But for the staying hand of Jean Campbell the ancestral halls of Lauriston would soon have vanished like smoke amid his costly revels. About the same time an affair of gallantry over a southern belle ended with a duel, in which a young aristocrat was killed. Act 1 of the drama closes with Law's apprehension, trial and sentence of death in 1694.

The Newgate calendar would have ended Law's history but for his escape from prison. He fled to the Continent and was soon again engrossed in his old speculative vices, but at the same time he gained an insight into the financial systems of the various lands through which he wandered, and early in the eighteenth century he found his way back to Scotland. Finance was at a low ebb in those days, and the Scots Parliament was sorely exercised over ways and means. Law propounded a scheme in his treatise published about this time, "Money and Trade Considered." His panacea was a paper issue secured on landed property. "My Lords" of Argyll and Tweeddale were both favorable to Law's projects, but the wary Scots Parliament thought better, so Law "tabled his motion," and again set out upon his wanderings. We hear of him in various lands and cities. At one time he is in Amsterdam, then he goes to Paris. His gambling ventures, contrary to common experience, made Law on his second tour a wealthy man, and grandees of Florence and Venice angled for his favor. If all stories be true, not a few of them became his debtors, and that for by no means inconsiderable amounts.

We are now approaching the time when Law's star becomes ascendant in the French firmament. Louis XIV. had passed, but there still remained the heritage bequeathed to the monarchy by Richelieu and his successor. The new king was a sickly boy of five, and one of Law's old friends, the Duc d'Orleans, a man of splendid ability but destitute of moral principle, was regent in the kingdom. The costly campaigns of France had left the nation groaning under heavy taxes, with a public credit heavily mortgaged and bankruptcy imminent. It was the aftermath of war. The Revolution was as yet in the womb of time, but its causes were in process. Trade was paralyzed. Law was consulted, and the old "cure-all" was recommended—paper. Paper would work wonders. The resources of the State, he argued, were capable of being indefinitely multiplied by means of an unlimited paper issue, which could easily supersede the precious metals as a circulating medium. Gold and silver, after all, had only a conventional value. The coffers at Paris could be replenished by coin only at great expense and inconvenience, for supplies were limited and transit difficult. Transfer their values to paper and the national wealth would be inconceivably augmented.

A Royal Commission approved of Law's proposals, but postponed action. Law therefore started a private bank, to which letters patent were granted on May 2, 1716. This was the General Bank of Law and Company. Their capital, in 1,200 shares, was entirely subscribed by the promoter and his friends. The note issue of the bank was subsequently declared legal tender at their face value, and through their medium taxes and royal revenues might be remitted to Paris without the necessity of draining the provinces of specie. The success of the bank was complete. In the second year of its existence it was paying seventeen per cent. to its proprietors. The balance of exchange with England and Holland rose to five per cent. in favor of Paris, and by an Act of Council dated December 4, 1788, the monarchy took over the concern with its outstanding issue of 59,000,000 livres. Law was appointed Director general, and branches were opened at Lyons, Rochelle, Tours, Orleans and Amiens. Such was the beginning of the first State Bank of issue in France, the Bank Royal. The second, the Caisse d'Escompte du Comerce, was suppressed at the Revolution, and the Bank of France, as we know it to-day, had its

inception on the initiative of Napoleon in the first year of the nineteenth century; but tracing the stream to its source, Law's bank stands first time, and he may therefore with justice be claimed as the originator of the bank which across the Channel corresponds with our own "Old Lady of Threadneedle Street" and with the Imperial Bank of Berlin.

It was about this time that Law, now in the blaze of his popularity, launched his disastrous Mississippi scheme upon expectant France. Every historian who deals with the Regency, from Voltaire to Sismondi, glows with enthusiasm as he approaches the story of the Company of the Indies. Law's dream was to establish a French empire beyond the seas which would give a fresh lease of life to the harrowed population of the motherland and obtain for her an influence which from the shores of the Mississippi would radiate throughout the length and breadth of the American Continent. Although wars had destroyed her prestige and weakened her vigor at home, France was still in possession of vast American territories, and an emigration scheme, with Louisiana as its field, seized upon the popular imagination and appealed to the gambling instincts of the financier. In the reign of Louis XIV., Crozat had received a sixteen years' lease of trading on the Mississippi, but the magnitude of the undertaking had been too much for him, and now Law came to the rescue and assumed control. The East India Company and the China Company were amalgamated with the enterprise of the West under the general time of the Company of the Indies, and press gangs bore down upon lusty paupers and shipped them off to the plantations to augment the ranks of colonists. In May, 1719, it was decided to consolidate the bank with the company, and Law was made comptroller of both. A year later he was appointed Comptroller-General of France. He was now of European reputation and the Edinburgh magistrates, traditionally renowned for the worship of the "golden calf," made him a freeman of the city and despatched post haste a burgess ticket in a gold box valued at three hundred pounds! The shares of the Mississippi Company rose to fabulous figures and for a time were marketable at forty times their face value. Soon there was an unbroken torrent of speculative riot. New shares were created and by express enactment these were to be purchased, not with gold, but with bank notes, and paper according obtained an immense premium. Law, we think, can hardly have foreseen this strange development connected with his El Dorado, but he awoke to danger when, in 1820, an edict was passed lowering the value of the shares and the notes to one-half their nominal value. In vain Law protested, for he saw it was the death knell of the Mississippi project and the bankruptcy of the national credit. The inflated balloon collapsed, and the crowds who had clamored for shares now rushed to realize them for what they would bring. An eye-witness of the times relates how, on May 17, 1720, a seething mob pressed around the bank, with fatal results to many in the crowd. Law stuck to his post for some time, for cowardice was not at any period his besetting sin, but he was powerless to stem the torrent. At last he quitted Paris, abandoning his own fortune, as well as the paper issue and the Mississippi scheme. For the next four years we hear of him in London, and in 1729 he died, a wreck in Venice, haunted by the grim spectre of poverty and followed to his grave by the curses of a ruined populace.

Deposits in National Banks

REMARKABLE gains are shown in the number of depositors in the national banks of the United States, according to reports made to the Comptroller of the Currency.

The total number of depositors on May 1, 1916, was 14,288,059, against 7,690,468 on June 30, 1910, the increase being 6,597,971, or eighty-six per cent. The number of national banks in 1910 was 6,012, and those reporting on May 1 last, 7,538 out of a total of 7,578.

The largest actual increase, by geographical divisions, was shown in the Middle Western States, which give an increase of 1,773,370 depositors, although the Southern States lead in the largest percentage of increase. The number of depositors in the Southern States June 30, 1910, was 1,272,746. On May 1, 1916, this had been increased to 2,814,508, the increase being 1,541,762, or 121 per cent. The Pacific States increased 592,689, or 117 per cent. The New England States show an increase of 388,923, or eighty-four per cent; the Western States increased 668,517, or eighty-two per cent., and the Eastern States show an increase of 1,629,651 depositors, or sixty-eight per cent.

Pennsylvania leads all the states in the number of national bank depositors, reporting 2,021,878, an increase since 1910 of 762,738, or sixty per cent. New York shows the next largest number, 1,199,471, an increase of 529,616, or seventy-nine per cent. Illinois comes third with 847,637 national bank depositors, an increase since 1910 of 376,910, or eighty percent. Ohio ranks fourth in the number of national bank depositors with 791,760, an increase of 321,076 since 1910, or sixty-eight per cent. Texas comes next with 658,774 depositors, an increase of 291,161, or seventy-nine per cent. California follows with 529,290 depositors, an increase of 294,729 since 1910, or 125 per cent.

The state which showed the largest percentage of increase in the number of national bank depositors was Tennessee, the increase in six years being 251 per cent., or from 73,329 depositors in 1910 to 257,508 in 1916. South Carolina ranks next to Tennessee. The national bank depositors in South Carolina increased 217 per cent., or from 39,217 in 1910 to 124,423 in 1916. Oklahoma comes next to South Carolina with an increase of 188 per cent, national bank depositors in Oklahoma increasing from 108,475 to 312,826 in the period named. In percentage of increase Idaho ranks next with 169 per cent., the increase in the number of depositors being 52,487. The next largest percentage of increase is in Virginia, where the number of national bank depositors increased 155 per cent., or from 149,306 in 1910 to 381,662 in 1916. The following states, in the order named, show the next largest percentages of increase: North Carolina, 152 per cent.; Oregon, 151 per cent.; West Virginia, 146 per cent.; Arkansas, 145 per cent.; Alabama, 132 per cent.; Florida, 127 per cent.; Iowa, 125 per cent. Other states in which the number of national bank depositors more than doubled in the six years from 1910 to 1916 were: Montana, 123 per cent.; Utah, 128 per cent.; Connecticut, 114 per cent.; South Dakota, 112 per cent.; Georgia, 108 per cent.; New Hampshire, 108 per cent.; North Dakota, 107 per cent.; Mississippi, 105 per cent., and Oregon, 105 per cent. The smallest percentage of increase shown in any state was in Delaware, where the increase was 1,393, or five per cent., the next smallest being Rhode Island, with an increase of 9,194, or fifty-four per cent.

Of the 14,288,059 deposit accounts in the national banks of the United

States, 305,699, or two per cent., are carried in the national banks of the central reserve cities of New York, Chicago and St. Louis; 1,778,809, or twelve per cent., are with the national banks in the other reserves cities of the country, while the country banks report 12,203,551 depositors, or over eighty-five per cent. of the total number.

Of the 14,288,059 deposit accounts, 9,494,289, or sixty-six per cent., are demand deposit accounts; 4,793,770, or thirty-three per cent., are time deposit accounts.

Of the 9,494,289 demand deposit accounts, 1,498,945 draw interest, the remaining 7,995,244 demand depositors collect no interest. Of the 4,793,670 time depositors, all draw interest except 132,652.

In the three central reserve cities, 78.9 per cent. of all depositors are demand depositors. In the other reserve cities, 66.6 per cent. are demand depositors. In the country banks, sixty-six per cent. of the total deposit accounts are demand, the balance being on time.

The total number of deposit accounts on June 23, 1915, as reported by all the state banks (exclusive of mutual and stock savings banks) and by all loan and trust companies throughout the United States was 15,814,446. It is therefore seen that the national banks now have nearly as many deposit accounts as all the state banks above mentioned and all the loan and trust companies in the United States combined in June, 1915, the time these figures were last compiled in regard to them.

From the above reports it appears that in the State of Pennsylvania there are 100 national bank accounts for every 414 of population; in Vermont for each 483 of population; in Oregon for each 450 of population, and in Minnesota and Iowa there are about 100 national bank accounts for each 480 of population.

The New England States have 100 national bank accounts for each 830 of population, the Eastern States average 100 accounts for every 577 of population, the Southern States for each 991 of population, the Pacific States for each 579 of population, the Western States for each 574 of population.

Throughout the entire United States there is an average of 100 national bank accounts for every 704 of population.

The population statistics used in these calculations are the estimated figures of July 1, 1915.

Dog is Bank Messenger

ACCORDING to a recent newspaper dispatch, J. C. McGaw, proprietor of the Sherman Hotel of Shippensburg, Pa., has a canine bank messenger, and in daily deposits so far no attempt to misappropriate funds has occurred. The messenger is "Bill," a white bulldog.

Recently McGaw started for the bank and saw "Bill" following him. He [illegible]d his bank book with a sheaf of checks and bills in the dog's mouth and "Bill" trotted to the bank. Climbing on a chair to reach the teller's window, the dog presented the book, and after the entry was made again took it in his jaws and returned to the hotel.

Since that time "Bill" has been making daily trips.

He is also the mascot of the Cumberland Valley Fire Company and carries a fire axe in every parade.

Bank Advertising Men Meet in Philadelphia

THE Financial Advertisers' Association, the latest acquired Departmental of the Associated Advertising Clubs of the World, held its initial sessions during the convention of the Associated Advertising Clubs of the World at Philadelphia, June 25 to 30. This was the first time in history that the financial institutions of the United States were represented in numbers at an advertising men's convention. There are 170 clubs in the A. A. C. W., with a total membership over the world of 17,000 members. Delegates from Hawaii, England and Canada, as well as from every one of the United States, were among those represented at the convention.

Mr. Lane, Secretary of the Interior, opened the convention on Sunday afternoon and President Wilson spoke at the closing meeting on the following Thursday. Two days were general sessions and two days were departmental sessions, the latter covering every phase of advertising in connection with modern business. Both buyers and sellers of advertising met in these sessions. The retail merchant, newspaper publisher, printer, lithographer, out-door publicity, directory publisher and financial advertiser were among the many elements represented. Every form of business that advertises can find some departmental of interest in these annual conventions of this great business building organization.

John Ring, Jr., of St. Louis, president of the Financial Advertisers' Association. read his report, which recited the remarkable growth of this departmental in the few months of its existence. There are now included in its membership some of the largest banks, trust companies, and investment brokers in the United States. Mr. Ring called particular attention to the fact that banking institutions over the country are giving more thought to their publicity work than ever before and showed that the attention of bankers and financiers is not now limited merely to the buying of space in publications—they are employing men whose entire energies are devoted to modern business building methods.

JOHN RING, JR.

PUBLICITY MANAGER MERCANTILE TRUST COMPANY, ST. LOUIS, RETIRING PRESIDENT OF THE ASSOCIATION

A very excellent program was arranged for the financial advertisers, with a purpose of interesting all phases of its membership banks, trust companies and investment bankers.

F. W. Ellsworth, publicity manager of the Guaranty Trust Company, New York, spoke on "Making Bank Adver-

tising Pay." His remarks were given in his usual convincing style and were followed by a discussion lasting three-quarters of an hour. Some of the most interesting developments of the meeting were brought out in this discussion. The relation of the New Business Department to advertising, the question as to what amount banks should spend for publicity and many other points were among the matters discussed.

C. L. Scoville, sales manager of Spencer, Trask & Company, one of New

M. E. HOLDERNESS
OF THE THIRD NATIONAL BANK OF SAINT LOUIS, ELECTED PRESIDENT OF THE ASSOCIATION FOR THE COMING YEAR

York's largest investment banking institutions, spoke on "Investment Advertising." Mr. Scoville's remarks showed long experience in this work and were listened to with deep interest.

The afternoon meeting of the Financial Advertisers' Association proved to be one of the most interesting sessions during the Associated Advertising Clubs' convention. W. C. Van Antwerp of the Board of Governors of the New York Stock Exchange, spoke on "Advertising from the Viewpoint of the New York Stock Exchange." His remarks were particularly apt for the reason that some several months ago the New York Stock Exchange passed a ruling limiting their members to a restricted form of advertising. Mr. Van Antwerp defended the attitude of the Stock Exchange, and his remarks were followed by an address by Herbert S. Houston, president of the Associated Advertising Clubs of the World and vice-president of Doubleday, Page & Company. Mr. Houston took the ground that the attitude of the Stock Exchange and that of the Advertising Clubs coincided, though they were trying to reach the same goal by different routes.

It is his belief that there should be many millions of investors in place of the comparatively few thousand that there are in the United States to-day. This result is possible only through advertising. He said that the great mass of securities of public utilities should be placed in the hands of the American people from coast to coast. The attitude of the Stock Exchange was in his opinion a narrow one and calculated to hinder the growth of the distribution of investments and leave the field practically open to unscrupulous promoters who, according to Government figures, have been reaping from $100,000,000 to $125,000,000 a year in "get rich quick" schemes of one kind or another.

After Mr. Houston's remarks, H. M. Morgan of the American Trust Company, St. Louis, spoke of their institution and marketing of farm mortgages. He felt likewise that the view of the Stock Exchange was a narrow one and under its strict ruling a great mass of the reputable banking institutions of the country having investment departments would not be considered reputable if the attitude of the Stock Exchange were to become generally accepted.

M. E. Holderness of the Third National Bank, St. Louis, followed Mr. Morgan and reviewed the purposes in the creation of the Financial Advertisers' Association and to the institutions that compose its membership. He read the Standards of Practice upon which

the association is founded and made a strong appeal to broaden the scope of advertising by financial institutions instead of narrowing it as indicated by the policy of the New York Stock Exchange.

Benjamin Sherbow, type expert and designer of printing, made a most interesting address on "Making Type Do Its Job in Advertising." His remarks were illustrated with some thirty or forty slides, showing the good and bad in display advertising. It was an educational talk that "struck home" and made many of those present feel that they had a better conception of why thought should be given to display advertising rather than letting the matter rest entirely with a newspaper compositor or printer.

E. St. Elmo Lewis of Detroit, a man whose business has brought him in contact with banking institutions for a number of years, delivered a most inspirational talk on the constructive and educational functions of the Financial Departmental and urged those present to further this work and to make the association grow until it perfects many of the plans which the men responsible for its existence had in mind.

To illustrate the use of motion pictures by banking institutions, a reel was shown through the courtesy of W. R. Morehouse of the German-American Trust & Savings Bank, Los Angeles, which completed the two days' session.

There was a most excellent exhibit on the part of forty-six financial institutions. This exhibit was shown in a very practical way on the exhibit frames in the lobby of the Law School, just outside of the court-room where the Financial Advertisers' Association's sessions were held.

Two representatives of the N. W. Ayer & Son Advertising Agency went carefully over the exhibit and made allotments of merit on the point system. The result of this was that they made selections of the exhibit shown in the following order:

First Award—Guaranty Trust Company, New York.

Second Award—Guardian Savings & Trust Company, Cleveland.

Third Award—Spokane and Eastern Trust Company, Spokane.

FRED W. ELLSWORTH
PUBLICITY MANAGER OF THE GUARANTY TRUST COMPANY, NEW YORK, ONE OF THE PRINCIPAL SPEAKERS

Honorable Mention — Mercantile Trust Company, St. Louis.

Honorable Mention—Potter Title & Trust Company, Pittsburgh.

On Wednesday, June 28th, the afternoon session was devoted to Depart-

mental business. The treasurer's report was read and approved. The following officers were unanimously elected:

President, M. E. Holderness, Third National Bank, St. Louis; first vice-president, G. W. Cooke, First National Bank, Chicago; second vice-president, J. C. Sims, Philadelphia Trust Company, Philadelphia; third vice-president, H. D. Robbins, 43 Exchange Place, New York; secretary, N. B. Jackson, Cumberland Valley National Bank, Nashville; treasurer, O. Howard Wolfe, Philadelphia National Bank, Philadelphia.

Mr. Ring, the retiring president, was presented with a gold-headed cane by the Departmental in recognition of his untiring and unselfish efforts in behalf of progressive financial advertising. Frank J. McGrann of the Guaranty Trust Company, New York, made the presentation and he very happily represented the sentiment of the delegates who were not only keen and alive to every feature of the convention, but fully appreciative of those who had been doing the pioneer work.

Mr. Ring turned over the gavel to Mr. Holderness, president-elect, whom he had credited in his inaugural address with having launched at the Chicago Convention the movement which has resulted in this prosperous and growing departmental. Mr. Holderness accepted the obligation and set forth some of the plans for the coming year. He promised early publication of the proceedings of this session, inclusive of all addresses, to be distributed among the membership.

Treatises on "Community Advertising," the relation of "New Business Department to Department of Publicity," "Indirect Advertising," "Special Departments for Ladies," all of which topics grew out of the convention program, will be prepared by the members and printed for distribution. A Bureau of Criticism will be installed and members will have the privilege of having their copy intelligently criticised. A National Publicity Committee has been provided for in order that the Financial Advertising men be properly represented and fully understood. It is purposed, when the association grows larger, to have a central business bureau, from which can also be conducted the work of the Bureau of Criticism, and will act as clearing house for publicity ideas.

It is the hope of the incoming administration to increase the membership to 500 by the time the convention is held in St. Louis in 1917.

Protecting Foreign Investments

THAT it is not considered as a part of the business of the United States to protect those of our citizens who invest in foreign countries seems to be implied in the following statements made by President Wilson in an address before the New York Press Club on the evening of June 30:

"I want you to know how fully I realize whose servant I am. I do not own the Government of the United States, even for the time being. I have no right in the use of it to express my own passions. I have no right to express my own ambitions for the development of America if those ambitions are not coincident with the ambitions of the nation itself, and I have constantly to remind myself that I am not the servant of those who wish to enhance the value of their Mexican investments, that I am the servant of the rank and file of the people of the United States."

What the Banks of the United States Think of the Federal Reserve Act

FIVE thousand three hundred and forty-five banking institutions in the United States express their opinion of the new Federal Reserve System of banking in a pamphlet entitled "What the Banks of the United States Think of the Federal Reserve Act," just issued by the Guaranty Trust Company of New York.

It probably will not be very comforting to the Federal Reserve Board and the sponsors of the Act to learn, as they will from a perusal of the results of this questionaire, that banks maintaining a critical attitude toward the law slightly outnumber those more favorably disposed, while those that are non-committal on the subject exceed in number either of the other two classes. Replies were received from 5,344 banking institutions, of which 2,709 were national or member banks, and 2,635 state banks and trust companies. Banks from all over the country responded, and it is safe to assume that a summary of the replies indicates quite accurately the general sentiment among all the banks in the United States regarding this new law.

While there are upwards of 25,000 banks in the country—and in the Guaranty Trust Company's canvass replies were received from a little over a fifth of them—nevertheless it is probable that this is the most thorough "straw vote" that ever has been taken on a financial question.

From the very beginning there naturally has been great difference of opinion among the banks of the country concerning the Federal Reserve System. It has been generally known that this was the case and that there was considerable opposition to some features of the Act on the part of bankers, both within and without the system, but it has remained for this canvass to bring out the facts in a clear and unmistakable manner.

In view of the inauguration on Saturday, July 15, of the Federal Reserve Bank's new clearing plan for the collection of checks in any part of the country, it is particularly interesting to notice the attitude of member banks on this feature of the law. Two hundred and sixty-two member banks that referred to this subject said that the reserve system should leave collections and clearings under control of member banks as has been done up to this time. Almost an equal number—256 to be exact—were favorable to the more comprehensive system of collections and clearings.

Space does not permit the reproduction of all the facts brought to light concerning the banks' attitude toward the Federal Reserve System, but some of the most interesting criticisms, both constructive and destructive, are as follows:

Of the 1,760 favorable replies, 1,229 or seventy per cent. are from member banks, and 531 or thirty per cent. from non-member banks.

Of the 1,773 unfavorable replies, 1,088 or sixty-one per cent. are from member banks, and 685 or thirty-nine per cent. from non-member banks.

Of the 1,811 replies that are non-committal, 392 or twenty-one per cent. are from member banks, while 1,419 or seventy-nine per cent. are from non-member institutions.

Suggestions Offered by National Banks

General Approval	636
Favor one central bank	135
In favor of abolishing Comptroller's office	209
Suggest guarantee of deposits	34
Permit part of reserve to be kept with correspondents	56
Membership of state banks necessary for success of system	44
Permit F. R. notes to be counted as legal reserve	28

Objections Offered by National Banks

Would not be a member if optional	146
Rediscount privilege of no value	34
Rediscount privilege of little value	243
Object to limitation of farm mortgages to twenty-five per cent. of capital	53
Exclusion of restrictions on real estate or mortgage loans (other than farm mortgages)	76
No dealings with F. R. Bank	699
Few dealings with F. R. Bank	206
Object to political aspect of F. R. Board	70
Dissatisfaction with present Comptroller	159
System of no value to country banks	257
System of little value to country banks	227
Still necessary to maintain relations with correspondents	598
Don't see why state banks should join	376
Object to interest on deposits	903
Dividend F. R. Bank stock unsatisfactory	624
Capitalization of F. R. Banks too large	292
System too expensive	326
Proportion required for deposit too large	218
State banks receive benefits without joining	55

Suggestions Offered by Non-Member Banks

General Approval	349
Permit part of reserve to be carried with correspondent	40
Federal reserve bank should not compete with members	37
Rulings re State banks should be embodied in the law	36
Guarantee of deposits	20
Reserve system should guarantee State members all rights now possessed under State laws	7

Objections Offered by Non-Member Banks

Re-discount privileges of little value:	
(a) Kind of paper	275
(b) Maturity of paper	108
Object to "Red Tape":	
(a) In connection with re-discounts	105
(b) Of system in general	158
Object to limitation of farm mortgages to twenty-five per cent. of capital	236
Object to office of Comptroller	63
Object to incumbent of Comptroller's office	143
Object to power given to National banks to accept trusts	29
Object to no interest on reserve deposits	284
Object to exclusion of all restrictions on real estate mortgage loans (other than farm mortgages)	225
Object to restrictions on loans in general	140
Object to duplication of expense and inconvenience:	
(a) Because of examination	243
(b) Because of reports	159
Object to supervision of both National and State authorities	163
Object to probable lack of dividends on Federal Reserve stock	239
Object to capitalization of F. R. banks (usually as a cause of absence of dividends)	103
Object to clearing and collection feature	65
See no advantage in joining	807
Advantages outweighed by disadvantages	133
Bank gets benefit of system through its correspondents, who are members	133

Depositories for Postal Savings Funds

By A. S. CORY, Cashier Chehalis National Bank, Chehalis, Wash.

SENATOR MILES POINDEXTER of Washington did a favor to the country districts and especially the smaller national banks of the United States on March 15. According to the Congressional Record, the senate was considering the new bill, which passed that body, making several amendments to the laws concerning postal savings deposits, and raising the limit that an individual could deposit from $500 to $1,000. The following is self-explanatory:

Mr. Poindexter: "I move to strike out on page 3, lines 5-6-7, the words, 'But the amount deposited in any one bank shall at no time exceed the amount of the paid-in capital and one-half of surplus of such bank.'

"The same section provides on page 2 that the board of trustees shall take security 'in public bonds or other securities supported by the taxing power' for the deposits which are made in the banks. So that really there is no need for the limitation on page 3 of which I speak; and the effect of that limitation will be that the small country banks in the small towns having small capital will soon reach the limit which they are allowed to take under this clause. Then the postal saving funds which originated there will have to be sent away to some large city, contrary to the general policy and purpose of the act, which was intended to encourage the retention of the funds in the community. I hope the chairman of the com-

mittee will accept the amendment which I have offered."

The committee accepted the amendment and the bill passed the senate with this limitation omitted.

Regardless of our opinion of the value of the postal saving bank, it seems here to stay, and no one can tell when the amount of funds in the smaller post-office might grow and seriously drain the country regions unless the local banks are enabled to carry more than their capital and half their surplus of these government deposits.

While state banks are not now enjoying new deposits, still this restriction might be removed any time, when they, too, would be personally interested in the elimination of this arbitrary limit.

Banking and Commercial Law

CASE COMMENT AND REVIEW

Damages for Returning Check in Error

THE measure of damages which a bank assumes in returning a check where the account is good is problematic. It frequently happens that a deposit is wrongfully credited, and the drawer of the check is good for the amount of his orders had the error not been made in the posting.

A check returned as "short" may or may not injure the credit of the drawer, depending entirely upon how good his general credit is. There are certain customers in every bank that are habitually short, and to whom a returned item can work no further damage in the line of credit. There are also those who have never been subjected to this embarrassment, and to whom the return of an item would, no doubt, work an injury; but to what extent it is difficult to determine. Cases are frequently brought into the courts to determine the measure of damages, and it is a question of evidence as to the extent of the harm done.

In the present issue we present a Montana case, where a check was drawn for $13.65, and returned as "drawn against insufficient funds." The drawer had ample funds in the bank, but erroneously credited. The drawee bank, being advised of the mistake, promptly recalled the item and paid it and did all that the occasion permitted to rectify the error. Suit was brought for $1,000 damages, ad submitted to the jury, which awarded $500. There was no malice or intent to injure in the case, and while the court determined some damage had been done, it concluded that $200 would compensate the drawer for all embarrassment and attendant annoyance over such a mistake.

(Crites & Crites vs. Security State Bank of Havre, in this issue.)

Leading Cases

Wrongful Dishonor of Check

MONTANA.

Damages for Dishonor of a Customer's Check.

CRITES & CRITES VS. SECURITY STATE BANK OF HAVRE.

In an action for the wrongful dishonor of a trading customer's check which accrued before the liability of a bank was limited to damages actually proven, an award of $500

in favor of the customer who showed no malice and presented no evidence of tangible loss, while excessive cannot be held the result of passion and prejudice warranting new trial.

Where through mistake a trading customer's check was dishonored, but the bank, which discovered the mistake, notified the payee, caused the check to be sent back and paid it with costs of protest, an award of $500 in favor of the customer who showed no actual damage or that the bank was actuated by malice is excessive by $300.

ACTION by W. D. Crites and J. R. Crites, co-partners doing business as Crites & Crites against the Security State Bank of Havre. From a judgment for plaintiffs, and an order denying new trial, defendant appeals. Modified and affirmed.

STATEMENT OF FACT AND OPINION

SANNER, J.: The plaintiffs, trading co-partners engaged in the retail meat business at Gildford, this state, drew a check upon the defendant bank for $13.65 payable to the order of the Booth Fisheries Co. of St. Paul. The payee, in due course of business, caused the check to be presented to the defendant bank for payment. The bank refused payment for that it did not have sufficient funds belonging to the plaintiffs to pay the check and caused the check to be protested and returned. The plaintiffs had ample funds with the bank to meet the check, and the dishonor and protest were due to a mistake of the bank in crediting a previous deposit by the plaintiffs to the wrong person. Being advised of its mistake, the bank notified the payee, caused the check to be sent back, and paid it with the costs of protest. Upon these facts, the plaintiffs claiming damages in the sum of $1,000, the cause was presented to a jury, who awarded the plaintiff $500. The sufficiency of the evidence to justify this verdict, and some procedural rulings, are presented for review.

The cause of action accrued in March, 1913, and at that time the liability of a bank for the wrongful dishonor of a customer's check was not limited, as it is now, to the damages actually proved; but, in the case of a trading customer, substantial damages, temperately measured, were to be presumed (5 R. C. L. 548 et seq., and cases cited). The respondent stood upon this presumption, showing no malice and presenting no evidence of tangible loss. In these circumstances it cannot be said that the jurors did not exercise their best judgment in fixing the award, bereft as they were of the ordinary measures of evaluation; and if their best judgment was exercised, then their verdict was not the result of passion and prejudice so as to warrant a new trial.

But while this is so, we think the verdict is excessive, measured by any applicable standards which may be suggested in matters of this kind. The plaintiffs were entitled to vindicate themselves from the possible imputation upon their solvency and good faith, and to be reimbursed for the cost of their effort in that behalf, but no more; and for this the sum of $200 should suffice.

The procedural rulings assigned present no grounds for reversal.

The order denying a new trial is affirmed, but the cause is remanded to the district court, with directions to modify the judgment so as to award plaintiffs the sum of $200 as damages, with their costs, and as so modified to stand affirmed. Each party will pay his own costs upon these appeals.

(155 Pac. Rep. 968.)

Two-Name Account

NEW YORK

Ownership of Joint Deposit

New York Supreme Court, Appellate Div., Third Department, May 3, 1916.

MCNETT VS. CRANDELL.

Under Banking Law (Consol. Laws, c. 2; Laws 1914, c. 369) section 249, providing that the making of a joint deposit, payable to the survivor, shall in the absence of fraud,

be conclusive, in any proceeding in which the savings bank or the surviving party is a party, of the intention of both depositors to vest title to the deposit in the survivor, in an action by the administratrix of a savings bank depositor against another depositor in such bank to recover the amount which had stood in decedent's name, but which had been changed to stand in the name of both depositors as a joint account, payable to either or to the survivor of either, the court must assume that the actions of defendant and decedent were merged by consent, indicating their intention to declare their property rights. (158 N. Y. Supp.)

ACTION by Nancy McNett, as administratrix, etc., of the goods, chattels, and credits of Catherine Slighter, deceased, against Mary H. Crandell. From a judgment of nonsuit, and dismissing her complaint, plaintiff appeals. Judgment affirmed.

STATEMENT OF FACT AND OPINION

JOHN M. KELLOGG, P. J.: The plaintiff seeks to recover the amount of two savings bank accounts which were paid by the banks to the defendant. Prior to February 1, 1906, both of the accounts stood in the name of Catherine Slighter, and upon that day were changed as follows: One "to Miss Catherine Slighter or Miss Mary H. Crandell, joint account, payable to either or to the survivor of either"; the other to "Mary H. Crandell or Catherine Slighter, payable to either or the survivor of either." The complaint alleges that the change in the form of the accounts was made for the purpose of convenience in withdrawing money or making deposits. It thereby impliedly admits that the changes were made by Catherine Slighter, and her capacity to make them. Assuming, therefore, that the changes were her acts, we are to consider their effect.

At one of the savings banks the defendant, on March 1, 1906, had a small account in her name, but this account was merged with the Catherine Slighter account when it was put in both names. (Catherine Slighter died March 6, 1915.

In Bonnette vs. Molloy, 153 App. Div. 73, 138 N. Y. Supp. 67, it was held that the changing of a bank account, substantially in the form stated, was not presumed to be for the convenience of the former payee, but that the change fairly indicated an intent to make the parties joint owners of the account.

The new Banking Law (chapter 369, Laws of 1914), at section 249, declares, in substance, that a deposit made in substantially this form shall be deemed the property of the persons named, as joint tenants, and that the making of the deposit in such form shall, in the absence of fraud or undue influence, be conclusive evidence, in any action or proceeding in which either such savings bank or the surviving party is a party of the intention of both depositors to vest title to such deposit and the additions thereto in such survivor. I think this statute was not intended to be an enactment of a new law, but was rather a declaration of the existing law upon the subject. We need not, therefore, consider whether the law would otherwise be retroactive; it seems to declare a rule of evidence, a presumption arising from the acts of parties entirely consistent with their acts. The fact that the form of the account was not changed after the enactment of the statute carries with it an inference that the statute fairly carried out the intent of the parties. In this case the defendant was not related to the decedent, but had lived with her since childhood, and it does not appear that decedent's relatives had taken any particular interest in her welfare. We must therefore assume that the accounts of the defendant and of the decedent in the one bank were merged by the consent of both, which in itself would indicate an intention that the change was not made as a mere matter of convenience, but was made to create and declare the property rights of the parties in the deposit. The other account, changed the same day in

substantially the same form, was evidently opened for a like purpose.

The judgment should therefore be affirmed, with costs. All concur.

(158 N. Y. Supp. 1020.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

Promissory Note—Presentment

INDIANAPOLIS, IND., June 27, 1916.

Editor Bankers Magazine:

SIR—"A," living at Providence, R. I., gave a promissory note, payable at any bank in Providence, R. I., dated June 7th, 1915, for $1,000, due sixty days after date, and payable to "B" firm at Elkhart, Indiana. Mr. "C," living at Providence, R. I., endorses back of note as surety for "A." "B" firm at Elkhart, Indiana, discounts this note at their bank in Elkhart, Indiana, and endorses the note to the Elkhart, Indiana, bank as follows:

"For value received, I hereby sell and assign the within note to the St. Joseph Valley Bank, Elkhart, Indiana, and I guarantee the payment thereof, waiving all protest, notice of protest, and notice of non-payment, when due."

The Elkhart bank forwards this note for collection to Providence, R. I., but the note does not reach Providence until Saturday, August 7, and is protested the following Monday, August 9. Does this release "C.'s" endorsement on note to "B" firm; and does this release "B" firm's endorsement to the Elkhart bank?

ASST. CASHIER.

Answer.—The question at issue in the above inquiry is that of presentment, and is controlled by the Negotiable Instruments Law. The contract on the part of the maker or the acceptor of an instrument (the party primarily liable), is a definite, absolute, unconditional promise to pay at the time, in the amount, and to the parties stated. Failure to demand payment upon this promise will not relieve them of this, unless the holder allows the statute of limitations to run against the instrument. But the contract of the drawer and the endorser is in effect, "I will pay provided the maker or acceptor does not, and I must know of this as soon as possible." To hold these parties to their contract, presentment for payment and demand is necessary unless the same shall be excused. (Tompkins Law of Commercial Paper, p. 176.)

But presentment for payment is not necessary in order to charge the person primarily liable on the instrument. (Negotiable Instruments Law, par. 70.) Therefore, in order to hold the endorsers, the note should have been presented at the bank before August 6, the due date of the instrument, and all the endorsers were relieved unless they have waived the formality of presentment protest.

The endorsement of the Elkhart firm waived *protest and notice,* but not presentation, and it has been held in New York that a waiver of notice of presentment, dishonor and protest does not waive presentment and demand of payment. (Howard vs. Empire State Sugar Company, 105 N. Y. App. Div. 21.)

From the state of facts and the law stated above, our judgment is that failure to present this item on its due date would release all but the maker of the instrument. The legal reason for presentment, protest and notice of dishonor is to protect the secondary parties, who if promptly notified may secure themselves. In this case a note that should have been presented on Friday was held three days, which delay might have jeopardized the position of the sureties, and the logic of the law is apparent.

Check—Right of Payee to Have Certified

TERRE HAUTE IND., June 7, 1916.

Editor Bankers Magazine:

SIR—As one of your subscribers, we desire to submit the following questions to the legal department of your valued journal:

A check in the form given below was pre-

sented to us by the drawee, requesting that we certify same. We refused on the grounds that the check is not due:

No. 7265.
RICHARD ROE.
Indiana, June 1, 1916.

On July 1, 1916, pay to the order of
John Doe $100.00
One hundred and no 100..........Dollars
To the East Side Bank,
71-6, Indiana.

1. Could we have legally certified this check?
2. Has the drawee or endorsee the legal right to request the certification of a check or in other words, is it lawful for a bank to certify a check at the request of the drawee or endorsee without the knowledge or consent of the drawer? CASHIER.

Answer.—The implied contract which a bank has with its depositors does not permit the bank to pay a check before its date. The order of the depositor is to pay on or after a certain date, but not before. The depositor has a legal right to stop payment on his checks before presentation, which presentation could not be legally made before the date of the instrument. Having no legal right to pay the check, you were justified in refusing to certify it, which, so far as the depositor is concerned, is equivalent to paying it, and you would have become liable for the amount, in case the depositor stopped payment before the due date.

Both the payee and the endorsee of a check have the legal right to request certification without the knowledge or the consent of the drawer. The presentation of the check and the acceptance of a certification in lieu of payment discharge the drawer and make the bank the principal debtor. Where the presentation is made by the drawee or endorsee the option rests with the holder whether to demand the cash or to surrender his right against the drawer and take the obligation of the bank, and the drawer has no option in the matter unless he should have a stop payment in before presentation, which would effectually bar payment and certification.

Interesting Legal Points

By M. L. HAYWARD, B. C. L., of the Canadian Bar

Certificates of Deposit

SUPPOSE A deposits in the B bank a certificate of deposit issued by the C bank and the certificate is placed to A's credit, what are the rights of the respective parties?

The rule covering such cases as laid down by the U. S. courts is that in the absence of an agreement to that effect the deposit of the certificate does not entitle A to a cash credit for the amount of the certificate, and the B bank becomes a mere bailee of the certificate for the purpose of collecting.

On the other hand, if the B bank does advance the cash to A, it requires a title to the certificate to the extent of the amount advanced to A, and if the C bank fails to pay the amount, the B bank may proceed either against A or the C bank.

Escheat of Deposit

WHEN a depositor places funds in a state or national bank to his credit he generally checks out or withdraws the cash sooner or later, and cases of overdrawn accounts are not unknown.

Suppose, however, that the depositor does not withdraw the funds. Has the State Legislature power to pass an act providing that all deposits not withdrawn within a certain time shall go to the state, or to use the legal term, shall "escheat" to the state?

This point has been before the U. S. courts on several occasions, and the decisions uphold the power of the Legislature to pass such acts.

In Oregon an act was passed providing that the deposits of absentee depositors who have not made a deposit or withdrawal for seven years should escheat to the state, and the Supreme Court of Oregon upheld the validity of the act in the following words:

"It may be conceded, and is no doubt true, that the liability of a bank to a depositor is continuous, and that the statute of limitations does not begin to run until payment of such deposit is demanded and refused. But his right to demand such payment may be defeated by an act of the law which diverts the moneys so due into other channels, such as garnishment for debt, proceedings in bankruptcy and the like; and we think the right of the state to escheat and hold the property of the absentee depositors is as ample and rests upon as sound reasons of public policy as its right to escheat the property of persons who have died, leaving no known heirs."

Similar acts have been held to be constitutional in Kentucky and Massachusetts, the courts of the latter state saying: "The argument in support of these propositions seems to assume that the contract between the respondent and each depositor was made to continue for all time, even if the depositor should die, leaving no heirs so that his property would escheat to the commonwealth under the R. L. c. 140 3, or should absent himself for many years from the commonwealth, leaving no one to represent him or care for his estate, and should abandon his property altogether. On the contrary the charter granted to the institution for savings and the contract between the institution and its depositors must be assumed to have been subject to the sovereign power of the commonwealth through proper proceedings to take possession of the property that escheats to the commonwealth and hold it as its own, and also to take into its care and custody property abandoned by its owner when he is an absentee from the commonwealth leaving no one to represent him for many years and cannot be found. The right of the commonwealth, in its sovereign power, so to take property into its control under such circumstances is well established."

Garnishment of Safe Deposit Box

GARNISHMENT has been defined by a leading legal authority as "a proceeding by which the plaintiff in an action seeks to reach the rights and effects of the defendant by calling into court some third party, who has such effects in his possession or who is indebted to the defendant."

The law is well established in the United States that an ordinary deposit in a bank continues as the property of the depositor until the bank has paid or promised to pay out the funds, and until that time a creditor of the depositor may garnishee the funds in the hands of the bank.

This principle has been laid down by the United States Federal courts and the state courts of Alabama, Georgia, Massachusetts, Pennsylvania, Rhode Island and Tennessee.

Suppose, however, that a bank also has a safety deposit department and A rents a box and deposits securities or cash therein. Can B, a creditor of A, garnishee the contents of the box?

In the case of Tillinghart vs. Johnson, the Supreme Court of Rhode Island upheld the right to garnishment.

"Property of a defendant in a safe deposit vault of a trust company," said the court, "is either in the possession of the defendant or in the possession of the trust company. If it is in the possession of the defendant under the code,

it appears liable to attachment and execution. If it is in the possession of the trust company, such company may be garnisheed, as it is in possession of personal property of the defendant capable of being seized and sold on execution. A mere device to guard from intrusion the defendant's property in the vault of the trust company neither divests the defendant of his property nor releases the company from its charge of defendant's property. There is no magic in two keys, a master key and a customer's key, to put property belonging to a defendant in an attachment beyond the reach of the creditors and the process of the courts."

Sending Checks to Drawee Bank

SUPPOSE A deposits with the X bank a check, draft or other document drawn on the X bank; the X bank sends the check direct to the Y bank for collection, and in consequence thereof the proceeds of the check are lost. can A recover the amount of the check from the X bank?

The majority of the U. S. courts have held in such cases that A may recover on the ground that no party can be deemed a suitable agent for another to collect a claim against himself; that it is negligence to send a check for collection direct in such cases, and this rule applies even where the Y bank is the only bank in the place where the collection is to be made, and is the correspondent of the X bank; and a custom to send such papers direct is of no effect.

"Undoubtedly an agent," said the court in a leading case, "who undertakes to collect a claim although by custom he may be allowed to employ sub-agents yet is certainly bound to select his sub-collecting agents with judgment and care; and one of the first elements of care is to select a sub-agent who is not adversely interested in the subject-matter. What would be the use of a party placing his claim in the hands of a bank for collection if that duty could be performed by merely endorsing the paper by mail to the party who is obliged to pay it and receive his check on New York? The owner of the paper could send it directly and receive his New York exchange in much less time. A custom must be reasonable, and the best considered cases hold not only that the bank or party who is to pay the paper is not the proper person to whom the paper should be sent for collection, but also that a custom to that effect is unreasonable and bad."

The same rule has been laid down by the courts of Alabama, Colorado, Kansas, Michigan, Minnesota, Missouri, North Carolina, Pennsylvania, Tennessee, Texas and West Virginia.

On the other hand the courts of Illinois, Oregon and Kentucky hold that such a custom is not unreasonable and that the forwarding bank is not guilty of such negligence as to render it liable to the depositor; and in New York it is held that in such cases the Y bank is not made the agent of the X bank to receive the proceeds of the paper, so that the latter bank is not liable to A.

In a leading New York case A deposited with the X bank a note payable at the Y bank. The former bank sent the note direct to the latter, which mailed a draft for the same to the X bank, and failed before the draft was delivered. The courts of New York held that the X bank was not liable and that the loss fell on A.

A BOLIVIAN GOLD NUGGET (ACTUAL SIZE)

This nugget of pure gold, weighing 6,250 grams, or nearly 14 pounds, was recently found in the placer mine belonging to Col. Benedicto Goytia, located about 7 kilometers (less than 5 miles) from La Paz, on the Chuquiaguillo River. The nugget has a maximum diameter of 13 centimeters (5.12 inches) and varies from 3 to 8 centimeters (1.2 to 3.15 inches) in thickness, and is valued at a little over $4,000 United States gold. It is said that another nugget, valued at $4,500, was found in the same river by an Indian during the Seventeenth century and sent to the Spanish Crown. A facsimile of this nugget has been preserved in the Royal Museum at Madrid. Much of the gold found in the possession of the Incas at the time of the Spanish conquest is said to have been obtained from the Chuquiapu and Chuquiaguillo Rivers.—[*From the Bulletin of the Pan American Union.*]

The Budget Cheque System

By E. CANTELO WHITE

TO-DAY people pay by cheque and most of their cheques are mailed. To-morrow the custom will be universal, the ordinary checking service taken for granted and the drawing and mailing of ordinary cheques an uninteresting, if not an irksome, process. Already the banking public is looking for new conveniences in connection with non-interest-bearing checking accounts. How to organize and satisfy this demand is a growing problem.

THE BUDGET CHEQUE BOOK

An interesting solution of this difficulty lies in the attractiveness to depositors of the plan to further simplify and safeguard their disbursements and, at

REFERENCE TO THE BUDGET INDEX IS ESSENTIAL IN DRAWING A BUDGET CHEQUE. THE BANK'S INSTRUCTIONS AND REGULATIONS ARE PRINTED ON THE BACK COVER OF THE INDEX

the same time, save them time and expense by enabling them to consolidate the majority of their usual payments in a single itemized cheque, delegating to the bank the authority to make the individual disbursements and return the itemized receipt. The system here described and illustrated enables the bank to provide such service at a considerable profit in comparison with the bookkeeping and stationery cost of the usual checking privilege, which is largely but not entirely replaced by the new system.

The illustrations show the budget cheque book of the Old National Bank

of Grand Rapids, Mich. Each book contains a removable pad of budget cheques, a removable budget index containing an alphabetical list of 718 merchants to whom payments may be made by budget cheques, and a removable pad of single payment cheques to be used for payees not listed in the index. Each name listed in the budget index has a corresponding number and initial, which is used to designate the payee's name on a budget cheque.

As the individual depositor deals regularly with only twenty to thirty of the merchants listed, the cover page of the index is arranged for a personal memorandum of the names and index numbers regularly used so that the complete index need only be referred to for exceptional payments. On the back cover of the budget index are printed complete instructions for the use of budget cheques, which are drawn by merely writing the index numbers of the several payees, the individual amounts to be paid, the total of these amounts including the "budget fee," and the signature. Facing each budget cheque is a corresponding stub on which the index numbers and the amounts may be listed for record and reference. These stubs are so arranged that the drawer ' make a carbon record while filling in the budget cheque if this is preferred. In the pad of single payment cheques, stubs are provided which include spaces for entering the totals of budget cheques issued in order that the depositor's memorandum of all deposits and withdrawals may be kept in one part of the book.

THIS BUDGET INDEX CONTAINS 718 NAMES. OTHER FORMS PROVIDE FOR BOTH ALPHABETICAL AND CLASSIFIED LISTING OF 5,000 TO 10,000 NAMES

The budget cheque is sent direct to the bank and contains instructions to pay the individual amounts listed thereon to the designated payees as remittances from the drawer to be applied on accounts described in the cheque, respectively, and to debit the total amount to the drawer; the description of any account may be by name or by date. In carrying out these instructions, it is obvious that the bank is not in position to make the disbursements unconditionally. Even though the necessity did not exist for obtaining the payee's acknowledgment of receipt for account of the payor and for any specifically described account, it is doubtful whether the bank could legally credit the various payees without the distinct authority of each payee to do so. The following method of making these payments has been designed to obviate these difficulties and eliminate all unnecessary work in the bank.

All of the items for a given payee

are listed on a budget remittance letter, together with the names of the corresponding payors and such description of the accounts paid as may have been entered in the corresponding column on the budget cheques. This remittance letter acts as a notice to the payee and as an itemized receipt by the payee. On the back of the remittance letter is printed the budget voucher draft letter is inserted in the budget ledger without further transcription. These duplicates or budget ledger accounts are also perforated so that they may be removed on presentation of the budget drafts without opening the binder. The totals of all the budget cheques received are debited to the drawers' accounts and credited to the budget account and budget fee account in the general

VIEW OF THE BUDGET CHEQUE DRAWN IN PAYMENT OF TWENTY-TWO BILLS AND OF THE STUB RECORDING THESE PAYMENTS. NOTE THE DEPOSITOR'S LIST OF THE FIRMS REGULARLY PATRONIZED ON THE COVER OF THE BUDGET INDEX

for the payee to date and sign, writing the total in figures for the convenience of the clearing-house, and bank with his other deposits. It is, in fact, of greater value and greater convenience to the payee than individual cheques for the various items listed. Its return furnishes the bank the required authority and the required receipt for all items contained. The bank is, by this means, fully justified in canceling the various budget cheques in a way to indicate that the payments have been made as instructed, returning them to the drawers with other vouchers as practical itemized receipts.

The carbon copy of the remittance ledger. The grand total of accounts in the budget ledger will equal the total credit in the budget account. The budget ledger pages are removed as drafts are presented for credit or payment so that the actual accounts in the budget ledger at all times balance with the net total credit in the budget account, the status of which is somewhat analogous to that of the certified cheque account.

PROFIT TO THE BANK

WE are now able to consider the heart of the matter, i. e., the profit to the bank in handling this serv-

VIEW OF SINGLE PAYMENT CHEQUE STUB WITH SPACE FOR LISTING THE BUDGET CHEQUE TOTALS WITH OTHER WITHDRAWALS. THE BUDGET CHEQUE BOOK CONTAINS BOTH BUDGET CHEQUES AND SINGLE PAYMENT CHEQUES

ice. It will be seen that almost the entire work in connection with the system lies in writing the budget remittance letters. These are typewritten as the items for each payee are called off and checked from the budget cheques received. The limiting factor of speed in this operation is the quickness with which an item for a given payee may be located, if it occurs, on each budget cheque. Nothing can be easier or quicker than to locate a given number and initial in a single column of such symbols. The use of these symbols also makes it possible for the budget cheque to be exactly the same size as the single payment cheque, which facilitates quick handling as well as filing with other vouchers. It also provides the only feasible method by which the bank may specifically limit payments to the payees who deal with a sufficient number of depositors to insure a proper number of items for each payee. If depositors were permitted to designate payees by name on a budget cheque, it would be impossible to eliminate by arbitrary rules a large proportion of payments to individuals and small merchants who would require a remittance letter for single items. By properly editing the budget index, the depositors of the bank are enabled to make ninety per cent. of their payments by budget cheque. No way has been devised by which they could make the other ten per cent. of their payments in this manner without increasing the cost of remitting by the bank out of all proportion to the comparatively slight additional service rendered to the depositor.

BUDGET REMITTANCE LETTER

THE OLD NATIONAL BANK

GRAND RAPIDS MICHIGAN June 15th 1916

TO J. C. Mohrhardt & Co. BUDGET INDEX No M-41

City

DEAR SIR: WE HAVE RECEIVED BY BUDGET CHECK THE FOLLOWING REMITTANCES IN YOUR FAVOR WHICH WE ARE AUTHORIZED TO PAY OR TO PASS TO YOUR CREDIT (IF ONE OF OUR DEPOSITORS) ON PRESENTATION OF THE DRAFT ON THE BACK HEREOF, PROPERLY SIGNED BY YOU.

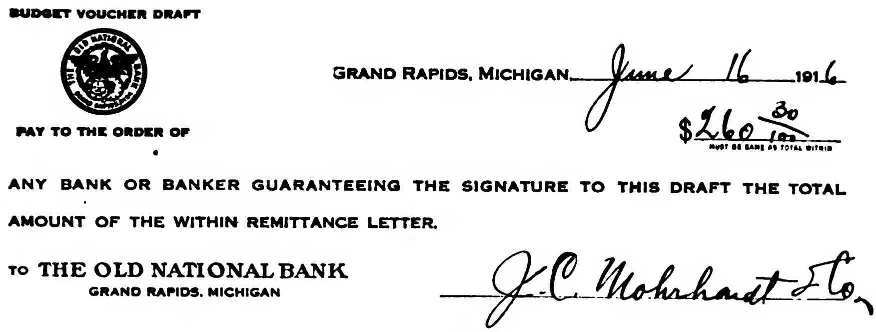
NO OTHER ACKNOWLEDGMENT OF RECEIPT ON YOUR PART WILL BE NECESSARY

REMITTED BY	ACCOUNT PAID	AMOUNTS	
Georgia H. Ballard	May	36	71
R. E. Campbell		17	20
Robt. Henderson	April & May	47	50
F. E. Johnston		28	72
Frank Pope	In full	28	85
Agnes Smithers	May	53	65
E. M. Wilson	May 31st	31	02
Barbara Wright		16	65

TOTAL TWO HUNDRED SIXTY .... 30/100 DOLLARS $ 260.30

CASHIER

VIEW OF THE BUDGET REMITTANCE LETTER COVERING EIGHT PAYMENTS TO THE SAME PAYEE



BUDGET VOUCHER DRAFT

GRAND RAPIDS, MICHIGAN June 16 1916

PAY TO THE ORDER OF

$260 30/100

MUST BE SAME AS TOTAL WITHIN

ANY BANK OR BANKER GUARANTEEING THE SIGNATURE TO THIS DRAFT THE TOTAL AMOUNT OF THE WITHIN REMITTANCE LETTER.

TO THE OLD NATIONAL BANK
GRAND RAPIDS, MICHIGAN

J. C. Mohrhardt & Co.

VIEW OF DRAFT FILLED OUT BY THE PAYEE ON THE BACK OF THE BUDGET REMITTANCE LETTER

By this system of budget remittances, from eighty per cent. to ninety-five per cent. of fees on budget cheques used constitute a net profit in comparison with handling a similar number of items as single payment cheques. Any charges made for the usual checking accounts would further reduce this comparative profit. From the depositors' standpoint, the fee of ten cents on each budget cheque tends to enhance rather than diminish the value of the service. The capacity of the budget cheque is twenty-four items, but the average number in use is about fifteen. The budget fee is, therefore, only one-third of the postage required to send single payment cheques for individual payments. The depositor readily understands that the bank is in position to consolidate the items for each payee and to make the disbursements at a smaller pro rata expense. The additional saving to depositors in time and trouble is the chief attraction. The next advantages, in order of appreciation, are the one receipt for many payments, the value of the itemized stub as an expense record and the absolute safety of the system as compared with the circulation of negotiable cheques.

The budget index may be reissued frequently at very slight expense to include additional names and index numbers and the new indexes inserted without disturbing the other portions of each budget cheque book. Whenever a depositor requires a new supply of budget cheques or of single payment cheques, the desired new pad may be inserted in the cover without wastage of supplies. The budget cheques are made in pads of twenty each and the single payment cheques in pads of sixty each.

The experience of the Old National Bank in advertising and introducing the use of budget cheques to their depositors has been an interesting one.

THE BUDGET LEDGER CONTAINS ONLY THE DUPLICATES OF THE BUDGET REMITTANCE LETTERS. NO ADDITIONAL ENTRIES ARE MADE

Trust Company Employees' Club

ONE of the most unique features of the community life of Howard Beach Estates is the Mettco club house now being constructed there. The Mettco Club is composed of the hundred or so employees of the Metropolitan Trust Company of New York. It is fostered by the trust company itself and is a model demonstration of the co-operative life of some of our great business institutions. Mr. George C. Van Tuyl, Jr., president of the trust company and honorary president of the Mettco Club, is taking a keen personal interest in the welfare of this business family of his and in its recreation home at Howard Beach.

The club house, with its tennis courts, garages, etc., will occupy a frontage of 200 x 100 feet on the northeast corner of Nolins and Vanderveer avenues, with a full sweep of Jamaica Bay in front and the 300 foot wide Shellbank Basin on the west. Nolins avenue is the bay-front street, being separated from the beach only by the water-front park 200 feet wide and the Beach walk now under construction.

The club building, according to the plans of Messrs. Holmes & Winslow, its architects, is to cost $14,000 and will be of Dutch Colonial type, two story and attic, white clapboard exterior with green roof and trim. A wide porch will extend along the full front and partly on the west side, the roof of the porch being enclosed by balustrade and covered with canvas, for outdoor lounging and observation. The first floor, with beamed ceilings and a great open fireplace of field stones, will comprise reception rooms for ladies and guests, commodious lounging and dining rooms, built-in bookcases, kitchen, butler's pantries, etc., and two private bedrooms and baths for officers and older members.

METTCO CLUB HOUSE AT HOWARD BEACH ESTATES

PERMANENT HOME WHICH THE METROPOLITAN TRUST COMPANY IS NOW BUILDING FOR ITS ONE HUNDRED EMPLOYEES

On the second floor are dormitories with sleeping quarters for about forty members, also shower bathrooms, clos-

ets, lockers and living-room for the steward. An outside stairway enables the bathers in wet suits to reach the shower and dressing rooms without using the main stairs.

The interior finish of the club house will include high, panelled wainscoting of walnut, and beamed ceilings in the living room and low, white wainscoting and tinted walls in the dining room. These two rooms are connected by double doors, and may be used as one great room for dancing or other special functions. The finish of the upstairs will be white with tinted plaster board panels.

The officers of the Mettco Club are: Thomas W. Dynan, president; J. Walter Benson, vice-president; George F. Sibley, treasurer; William J. Murphy, secretary.

President Van Tuyl of the Metropolitan Trust Company said in regard to the new club house:

"The Metropolitan Trust Company is building this club house to foster the spirit of co-operation which we aim shall exist between our officers and employees. It is a step in our campaign in which we intend to secure educational and material advantages for all connected with the institution. We have developed already a greater spirit of harmony and comradeship than formerly existed, and I am firmly of the belief that this leads to increased efficiency among our workers.

"The club house will be a good investment for the trust company as well as affording a splendid opportunity for its employees to secure recreation and enjoyment under the most healthful surroundings. I think we all agree that it promotes greatly the health and well-being of employees to have such a delightful place to frequent. The healthier and brighter the man, the greater the capacity he has for work.

"We think we made a happy selection of a site at Howard Beach, this cottage colony at the seashore combining as it does the attractions of boating, bathing and fishing and being within easier reach of Wall street than are the homes of the majority of our employees."

Howard Beach Estates is only thirty minutes from Wall street by Long Island Railroad electric trains. It is being developed into a high-class community by a company headed by Frederick W. Kavanaugh, banker and manufacturer of Waterford, New York.

Getting Accurate Proof of Postings to Correct Accounts

THE necessity for having complete proof in the bank of all bank bookkeeping from every angle has resulted in the adoption of various double checks on the several operations which, so far as securing accuracy is concerned, are probably not equaled in any other accounting system; and the value of accuracy in bank accounting cannot be overestimated.

Any method which makes it possible to maintain the necessary standards of accuracy and at the same time makes it possible to decrease the time and labor involved in getting the desired results, has a direct interest for every progressive banker.

One of the recent interesting developments along the line of bank accounting is the method used in connection with Elliott-Fisher Bank Bookkeeping Machine for getting a complete check on the work from every angle the same day.

The Bank Bookkeeping Machine, manufactured by the Elliott-Fisher Co., Harrisburg, Pa., combines the various operations of posting the ledger and

making the continuous check and deposit journal all in one. The statement may also be made at the same operation if desired. At the end of the run or the end of the day's work, these sheets enable the auditor or cashier to know in detail just exactly what the various entries for that day have been. It is not necessary to page back through the ledger to get complete proof of posting to the correct account.

The Elliott-Fisher method of double checking maintains the full efficiency of the double checks used when bookkeeping is done by hand. In addition, the journal affords complete proof of all work from every angle the same day. In fact, within ten to fifteen minutes of each run the auditor is in possession of proof that every item is properly posted, not only as regards amount but as regards posting to the correct account as well.

In case an error is brought to light when checking, it is a simple matter to run back over the auditor's journal of checks and deposits and locate the error with practically no loss of time.

This method of bank bookkeeping by machinery is now in successful operation and bids fair to attract attention throughout the entire banking field during the coming year.

Book Reviews

WE. By Gerald Stanley Lee. New York: Doubleday, Page & Co. (Price $1.50 net.)

IN this "confession of faith for the American people during and after the war," there is much to set the reader thinking. Here, for instance, is a striking statement of the theory that the European war proves the helplessness of human nature.

"Soon there are going to be but two flags, practically, in the whole world. On one flag will be written the strange tragic-comic saying that has plunged a whole continent into war because it believed it, 'Scratch a gentleman and you get a savage.' On the other will be inscribed in letters of light, 'Wake up a savage and you get a gentleman.'"

And this: "The wrong kind of men are running the governments of the world."

You may or may not agree with much that Mr. Lee says. But after reading "We" you will think pretty hard about some of his views. And that's a good thing.

A MERRY BANKER IN THE FAR EAST. By Walter H. Young. New York: John Lane Co.

THIS volume deals with personal experiences of the author in the Orient and South America.

GUIDE POSTS TO NATIONAL BANK PUBLICITY AND BUSINESS BUILDING. By M. E. Holderness. (Price $10.00.)

THE talks which Mr. Holderness presents on the subject of bank advertising are of great practical helpfulness to all who are seeking to make their publicity work more effective. As an active bank officer himself, Mr. Holderness writes from the standpoint of experience, and is thus able to tell just what results may reasonably be looked for from the various kinds of publicity.

Many excellent examples of advertising done by the Third National Bank of St. Louis, of which Mr. Holderness

is assistant cashier, are given as well as numerous letters designed to meet different requirements.

This is a book of decided usefulness to every progressive bank.

OUR CHIEF MAGISTRATE AND HIS POWERS. By William Howard Taft. New York Columbia University Press. (Price, $1.50 net.)

BOTH on account of his having occupied the Presidency and because of his long judicial training, Ex-President Taft is peculiarly well fitted to handle the powers of the Presidential office. The subject is treated felicitously and one who reads the book will gain a clear conception of the duties and powers of the President. By way of illustration several pointed anecdotes are related which add to the interest of the volume.

NOTES ON FOREIGN EXCHANGE AND GLOSSARY OF FINANCIAL TERMS. By L. E. Stewart Patterson. Toronto: The Shaw Correspondence School.

THIS treatise is especially intended as a help to beginners in studying foreign exchange. In addition to the text matter relating to the various phases of exchange operations, the book contains numerous calculations showing how the various problems are worked out.

WHO'S WHO IN AMERICA for 1916-17 (Vol. IX). Edited by Albert Nelson Marquis. Chicago: A. N. Marquis & Co. (Price, $5.00.)

THE ninth biennial issue of this well-known reference book has just been issued. The new edition contains nearly 22,000 biographical sketches of notable men and women.

THE HOUSE ORGAN—HOW TO MAKE IT PRODUCE RESULTS. By George Frederick Wilson. Price $2.00. Postage 15 cents.

CONTAINS 200 pages of sound practical help and suggestions for the man who is now editing a house organ, who who may some day be called upon to do so. Contains such helpful information as: gathering data; copyrighting; buying art work and engravings; the title; use of color; importance of attractive mechanical appearance; making the illustrations effective; preparation and editing of copy. An indispensable book for the bank interested in this form of publicity.

Federal Reserve System as a Fire-Escape

ONE of the neatest hits made against the clumsy Federal Reserve System was contained in an address by F. Howard Hooke, editor of the "Financial Age," New York, delivered before the recent convention of the Iowa Bankers Association. In referring to the relations of the country banker to the system, Mr. Hooke said:

"But what about the country banker? Are the benefits bestowed upon him commensurate with the cost? Some months ago I asked one of the officers of a western Federal Reserve Bank to outline the particular advantages conferred by membership in the system, and he said that the Federal Reserve Bank could be compared to a fire-escape on a high building; it might be somewhat unsightly, but in the event of a fire it was invaluable. He said he considered that the feeling of safety engendered by the existence of the Federal Reserve System was alone worth the cost of maintaining the system. This sounded like a very good argument, so I tried it on a disgruntled country banker. He thought the argument was all right, but he said: 'You see, Mr. Hooke, I am on the ground floor, and have no use for the fire-escape.'"

International Banking and Finance

Retaining Our Gold Supply Through Interest

By Robert B. Raymond

THE resources of our banks, particularly in the central reserve cities, have grown enormously during the last two years, due to the transfer of the world's surplus funds from the cities of belligerents to those of the greatest peaceful nation, and also to the necessity of having funds in the United States for the purpose of financing the greatly growing trade with the United States.

These funds have been transferred here in various forms, in a large measure by the actual transfer of gold. We have come to consider this gold as one of our permanent resources and are basing our future business calculations on a large proportion of this gold being retained here indefinitely. And yet we have no claim on it. We are the world's largest free gold market, and it is advisable for us to devise ways and means for retaining the gold we have lately received, and possibly this can be done by a simple expedient or co-operation on the part of our banks and bankers.

The custom has grown in the reserve cities of the United States of allowing two per cent. interest on all deposits which use only ordinary banking facilities, regardless of the discount rate. As a result of this custom the deposits have increased during periods of low interest rates so that we have the situation of hundreds of millions of deposits drawing two per cent. interest while the money is loaned out to stock exchange houses on call at one and one-half per cent. Interior banks have sent their surplus funds to the reserve cities to get the benefit of the two per cent. interest at such times, but have withdrawn it as their local demands increase,. so that as money tightens and rules around five and six per cent., de-[illegible] off and stringency becomes more and more acute as the rate climbs. The banks in central reserve cities then need the money and would willingly pay well for it, but have no inducement to offer except to solicit deposits on a higher interest basis. This is sometimes done and later, as discount rates recede, the banks find themselves saddled with deposits costing more even than the old two per cent. rate.

Contrary to earlier theories it is now generally conceded that money is worth interest whether loaned to a bank or to a business concern, the present disagreement being the rate.

European banks have solved this problem by paying interest at rates that are proportionate to the bank rate, the rate varying for various classes of deposits.

Heretofore there has been no standard rate in the United States to be used as a guide, but since the establishment of the Federal Reserve Banks we have regularly published discount rates at which any bank can secure funds. The closest discount rate established by the Federal Reserve Banks is that for thirty-day paper.

These rates of the Federal Reserve Banks are at present nominal, owing to our having had a period of easy money ever since their establishment, but as soon as money tightens, as it should this fall, these rates will be effective and it is that coming period for which we must now prepare.

Therefore, this suggestion is made. Abandon the flat two per cent. interest rate and instead adopt the payment of interest on bank balances and others that are in a similar class at a rate that shall be two per cent. less than the discount rate of the local Federal Reserve Banks for thirty-day paper.

Thus when money drops to three per

cent. for prime commercial paper and one and one-half per cent. for call loans, the banks would pay one per cent. interest on deposits; or, in other words, discourage keeping the money idle in the banks; while, when money climbs to six per cent., they would automatically bid four per cent. for money and be glad to get it.

Such a rate would attract deposits from all over the world and be of more assistance in retaining our gold supply and maintaining our financial prestige than any other method.

To put such a practice into effect by all banks at once is impossible even if desirable, but the banks that adopt it first and put their present deposits on such a business basis will be the ones to retain their deposits in the coming period of higher rates, by automatically bidding to retain the funds. And it is a system that once started will be freely copied.

Business-like competition of this kind will enable us to retain all of the world's business and gold supply which it is economically safe for us to have and will keep for us our proper place in the financial world.

The Argentine Republic as a Field for American Capital and Enterprise

By Carlos A. Tornquist

HOW TO PUSH AMERICAN EXPORT TRADE IN ARGENTINA*

NOTWITHSTANDING the efforts made by the National City Bank of New York through its branches and head office and by the very active American and Argentine diplomatic corps and their commercial attachés as well as by the Bureau of American Republics at Washington, the United States industry and trade have not, up to the present, taken advantage of their favorable position to capture the Argentine market, which I believe the United States could have done.

What they do is often done in such an indifferent manner, that once the war is over they will, unless the system is changed, lose the majority of the clients that they have managed to attract during the European war.

If all Americans do not change this state of affairs at once, but wait the advent of peace to make the necessary alterations, they will have quite a different market to deal with and will have to compete with the European countries, whose normal competition is prevented at present by the war, but which will be felt all the more when it is over.

I shall try to explain the various difficulties which will have to be remedied in order that the United States may firmly establish themselves in our market, and I shall begin with the plan of payment demanded by United States traders. I consider this one of the principal features that must be modified if they wish to succeed in their export trade to the Argentine.

CASH PAYMENT

OUR commerce is built up and has progressed on the basis of purchases of goods payable at ninety days' sight and even at 180 days' sight; and in my opinion if American exporters wish to push their trade with this country they ought also to see their way

* This is the last instalment of an article on the Argentine Republic by Carlos A. Tornquist, of the firm of Ernesto Tornquist & Co., Buenos Aires.—Editor.

clear to grant reasonable facilities for payment to such firms as deserve them and who can obtain the same facilities elsewhere. Exporters must place entire confidence in the country and in the clients who purchase their goods, and they must not consider these inferior to the clients in their own country or treat them any worse; they had better keep out of it altogether if they will not follow the conditions which are customary here.

This does not mean that no distinction is to be made between liberality and imprudence; the exporter must select his clients carefully. Even to-day, in spite of the war and of the losses suffered by European exporters through the crisis, many of the latter continue selling on the same conditions, but there are many articles which, for one reason or another, they cannot send, and importers must necessarily get these from the United States.

Cases have occurred in which United States shippers have asked Argentine firms of high standing to pay cash in the United States for goods ordered, even before they were shipped.

Such conditions are unknown here and certainly do not help to popularize trade with United States manufacturers.

STRAIGHT DEALING, OTHERWISE THE ARGENTINE WILL GIVE PREFERENCE TO EUROPEAN EXPORTERS AFTER THE WAR IS OVER

THE plan of payment ought to be easy to deal with, as any bank in the United States, considering how cheap money is there, should be glad to finance this business; but equally important and even more so than the question of payment are the following obstacles, which have irritated importers here, and which have also to be overcome:

1. The nonfulfilment of contracts as regards quality, quantity and dates of delivery without giving the least excuse or showing any justified reason.

2. The almost invariable refusal to consider claims.

3. The practice of raising prices without special motives and only to take advantage of exceptional circumstances.

4. The refusal to supply certain goods to their permanent customers at certain periods when it suits the exporter not to do it, and

5. As a general rule, the lack of that fair treatment which an exporter should always show to his customers.

Unless they receive in the United States the same attention and consideration that is given to their orders in Europe, Argentine buyers will revert to their European sellers and give them the preference as soon as peace is reestablished.

This will be easy as the British, French, German and Belgian industries will eagerly compete to regain this market as soon as possible by making every sacrifice due to economic and political reasons.

I must mention that most American exporters have, as a rule, treated their Argentine buyers very badly, though there are some honorable exceptions amongst them whose manner of dealing leaves nothing to be desired.

EUROPEANS ARE ONLY BUYING WHILE THE WAR LASTS WHILST ARGENTINES ARE PERMANENT CLIENTS

THE United States manufacturers and exporters should not forget that many of their European clients whose business at the present moment yields more profit than the Argentine and who for the same reason receive better treatment, are *temporary wartime clients,* whilst the Argentines are *permanent* buyers, who will continue as a source of profit after the war is over.

U. S. TRADE WITH ARGENTINA

ONCE the war is over, an industrial and commercial depression is expected in the United States, which would be avoided in a great measure by having a strong foothold in the Argentine trade.

I find that in this respect the majority of the United States exporters have been and continue to be too short sighted, and the sooner they modify their views the better it will be for them. The proof of this is that the United States exports to the Argentine Republic for the year ended June 30, 1915, were $32,549,666 against $45,179,000 in the year ended June 30, 1914, thus showing a reduction of about thirty per cent and this notwithstanding that European exports are curtailed by force on account of the war (through higher prices or through prohibition of export), which leaves a much easier market to the United States exporter.

I am glad to see, however, that American exports to Argentina have increased since last June and have done so very considerably in the last months of 1915.

The total importations in the Argentine Republic during the same year ending June 30, 1914, amounted to: U. S. $200,929,146. The previous year they were: U. S. $383,193,818. Total, $182,-261,671, which represents a reduction of 47.56 per cent.

Some United States manufacturers seem to think that orders from the Argentine will rain upon them simply because they belong to some committee of merchants to foment Argentine trade or because they have distributed in Argentina some hundreds of thousands of catalogues of articles manufactured for *American* consumption, or because they spend large sums in advertisements in Argentina.

This is a great mistake; their foreign trade cannot be built up or pushed from the comfortable arm-chair of their home offices; they must come to this country or send out an expert well versed in the business, to study the special requirements and customs of *their* line of business and adapt themselves to them, otherwise they will only find in the client a buyer who is forced by exceptional circumstances to order his goods from the United States, but not a permanent business connection.

NO DUMPING GROUND FOR UNSALABLE GOODS

THE United States manufacturer must also discard the idea that the Argentine is a dumping ground for the disposal of his surplus production; some articles such as agricultural machinery, motor cars, certain classes of office furniture, etc., are undoubtedly merchandise of this sort, but these are rather the exception than the rule, and they already had a market here before the war.

The chief difficulty lies in introducing those articles which up to the present the United States have never sent us, and until local requirements and tastes are properly met, they will make no frank headway here.

The United States exporter ought not, however, to sell his goods on a liberal plan of payment to every buyer he finds; the small tradesman here as a rule is given to trickery the same as in every other country where lawsuits are expensive and slow to deal with debtors of bad faith. The seller should carefully select his clients, and he has many facilities for doing so; in addition to a large New York bank branch, there is in

Buenos Aires an agency of one of the principal information bureaus of the United States. Sales should only be made to good clients, cultivating their patronage and satisfying their tastes so far as possible.

Now that the crisis in our *foreign* trade has passed, it is easy to differentiate between good clients and bad ones.

European exporters and manufacturers know by experience that it is always most advantageous to sell to one first-class wholesale importer, or (as many of them have done lately), to open a small office under the management of an agent or employee of the factory or exporter, with a good selection of sample articles.

This is rather an expensive method in the beginning, but it turns out very remunerative in the long run, and some American firms have already adopted it with success.

Another good method is to send a representative here to work in one of the large importing firms who help and advise him, furnish him with all the information he may require, and who for a small commission guarantee the credits which they have authorized or advised the representative to grant.

PRINTED MATTER AND PROPAGANDA USELESS UNLESS FOLLOWED UP

I CONSIDER all expenses for advertisements, circulars and catalogues useless unless facilities are also offered to the buyer to discuss the conditions and inspect the goods he is buying. What I wish to impress upon American traders is that they must come *here* to sell their goods in the same way as they do in the United States, because the Argentine buyer has the habit of dealing in this manner.

Once they have conquered the market, if they can, they may possibly be able to modify this custom, but until then they must follow the established practice if they want to succeed.

THE ELEVEN COMMANDMENTS

I SHALL now summarize what I consider indispensable for each United States exporter to bear well in mind, if he wishes to secure the Argentine trade and to *keep* it:

1. Study the Argentine Republic and the possibilities which it offers for placing your goods as soon as possible and before the war finishes, either personally or through a good deputy.

2. Have confidence in the country.

3. Give facilities of payment to selected clients, if they want them.

4. Send what the purchaser wants to buy and not what you want to sell.

5. Select your clients, and, once selected, trust them and show them that you do so; do not consider them worse in any respect than those of the U. S. or European countries, and much less tell them so.

6. Get the buyer to trust you, especially when you demand payment before he has seen the goods you send him.

7. Fulfil your contracts conscientiously to the last detail (date of delivery, quality, quantity, etc.).

8. Attend to the buyers claims honestly and liberally when they are justified, and thus cultivate their goodwill.

9. Treat your clients as considerately as possible, keeping them always well supplied with the goods they buy from you, and do not take advantage of circumstances to raise prices unduly, unless there are very special and serious reasons, for doing so.

10. Keep always in direct touch with your buyers and market, either through an agent or a direct representative.

11. Keep a selection or, if possible, a stock of your goods in Buenos Aires (this depends on the articles sold).

GOOD SALESMEN IMPORTANT

I THINK it is unnecessary to mention that it is important to send or to have the right salesmen, who know the country, the language, habits and the character of the Argentines. If none such exist there, send down competent instructors or select likely candidates here and train them in your country.

When the United States manufacturers and exporters become convinced of the truth of what I have said, and follow the above advice, American export trade will stand on firm ground in the Argentine, but until then all efforts will be useless and will bring only transitory results.

The few United States tradesmen who have been successful during the last few months, in spite of their ignoring what I consider indispensable conditions, must not attribute the increase of their trade to their intelligent efforts and cleverness in getting rid of competitors (although perhaps in some few exceptional cases it may have been so) but rather to the fact that the United States traders are at present alone in the market in many lines and their success is mainly, if not solely a consequence of this circumstance.

I warn them therefore not to be blinded by their success and advise them to bear in mind what I have said before, if they have any interest in retaining what they have won, for otherwise they will lose it as quickly as it was won, when conditions become normal, and, once lost, it will cost a great deal more to reconquer.

It is also well to remember that Buenos Aires is the buying centre not only for the Argentine Republic, but in part also for Bolivia, Paraguay, Uruguay and even Chili, whose buyers prefer to make their purchases in Buenos Aires, where they obtain cheaper rates and avoid the inconvenience of traveling to the manufacturing centres with its consequent loss of time and disattention to their business.

THE TRADE FOLLOWS THE INVESTMENT

THE United States traders must realize that Europe has a powerful hold on this country through the money invested in local industries and public utility companies which naturally give the preference of their orders to the country to which their directors and shareholders belong and this fact tells against American trade.

The United States commerce should therefore spare no efforts to profit fully of the present unique situation, in which the European export trade is handicapped by the war, to secure here a foothold strong enough to compete successfully with Europe after the war is over.

The more North American capital is

invested in this country the easier it will be to sell here North American products, therefore the sooner the United States are in a position to make here investments in the same proportions as Europe used to do, the better it will be for the United States export trade.

Canada's Heavy Balances in New York

By H. M. P. Eckardt

A NATURAL result of the large issues of Canadian securities in the New York market is seen in the heavy increase of balances carried by the Montreal and Toronto bankers at credit with American correspondents, and of their call loans on Wall Street collateral. In case of the call loans, the Canadian monthly bank report does not disclose the amounts placed respectively in London and New York—the aggregate of loans in both cities being under one heading—but it is a natural presumption that the bulk of the increase shown since the outbreak of war referred to New York rather than London.

Taking the grand total of the following items constituting the external liquid reserve of the Canadian institutions—net balances due by London banks, balances due by American and other foreign banks and foreign call loans—the following wide fluctuations are seen: From $165,261,322 as at July 31, 1914, the total fell month by month to $112,234,036 by the end of November, 1914, the decrease, roundly, $53,000,000, representing the extent to which the Canadian bankers utilized their external reserve in meeting the first shock. Dating from November, 1914, a steady rise has been in evidence which perhaps culminated, for the time being, on April 30, 1916. By means of sales of bonds in New York by municipalities, provincial governments and railways, the external fund had been built up to $166,850,127 by July 31, 1915. The Dominion loan of $45,000,000 in August caused an increase of about $21,000,000; and heavy exports of grain in the fall of 1915 brought it up to $235,523,152 on December 31. Then the Canadian loan of $75,000,000 in April, 1916, was responsible for a further increase — to $279,211,612. This last-mentioned figure was composed of call loans, New York and London, $147,146,443; balances due by foreign correspondents (mostly by New York banks), $114,804,744; net balances due by London banks, $17,260,425.

In addition to this large total of "demand" assets the Canadian banking institutions held at the same date an amount of American railway bonds estimated at from $30,000,000 to $40,000,000. These bonds were carried by the New York agencies, some of them being lodged with London correspondents prior to the war as cover for exchange drawings. Thus the aggregate "call" held on the New York and London

markets aggregated over $300,000,000, to say nothing of some $50,000,000 of British Treasury bills acquired at the beginning of April in connection with loans made to the Imperial Munitions Board to facilitate purchases in Canada. Of course, the Bank of Montreal is responsible for a very large part of this command over external balances, etc. That institution on April 30 had $90,000,000 in call loans, $56,000,000 in American bank balances, and about $11,000,000 in London bank balances—the total being $157,000,000.

Through carrying proceeds of extraordinary issues of securities temporarily in this way abroad, disturbance or inflation of the home markets in Canada is avoided; and another point is that the funds lying in New York can be utilized gradually to meet Canada's external obligations for merchandise, etc., imported, interest and principal of foreign held securities.

Bank Chance in Argentine

CARLOS A. TORNQUIST of Buenos Aires, recently declared that American bankers might easily secure in the Argentine a great part of the benefits hitherto enjoyed there exclusively by European institutions.

"Eighteen months ago," he said, "the dollar exchange was of the most nominal character and practically non-existent in South America. To-day, although in its infancy, it is an established fact.

"There is no reason," he continued, "why the United States should not be placed on a footing of equality with Europe in relation to Argentine finance and business if the necessary modifications of your federal banking trade laws are made on lines which would more largely facilitate banking and commercial operations between the United States and the Argentine. For instance, why should not the United States receive a large share of the $250,000,000 or $300,000,000 which ordinarily every year go into the coffers of European accepting houses, which accept both for commercial and financial credits? These financial credits naturally strengthen the exchange of the country which grants them. Thus, with the increased stability which would be given to American dollar exchange, if the federal reserve act of this country permitted such operations, trade and other payments on the basis of the dollar exchange would be greatly facilitated, and as a logical consequence

an additional stimulus would be given to the commerce of the two countries.

"The experience of the foreign banks in the Argentine Republic has exploded the theory that 'trade follows the flag.' The results obtained there show that trade follows capital, and, even in these early days of the investment of American capital in Argentine issues and enterprises there is ample evidence of the truth and soundness of the latter theory. But, in order to convert this theory into practical form there are other essentials to be considered. There must be closer personal contact between Americans and Argentines. I want to see the inauguration of the first necessity of increased trade relations, and that is the establishment of a service of first class, comfortable and fast steamships that will make the trip from New York to Buenos Aires and vice versa in twelve to fourteen days. Extended intercourse between the leaders of the respective communitis—not of their secretaries and employees—would do more to foster and augment international commerce than any number of conferences or publications.

"We are seeing the extraordinary proportions reached lately in the trade between the two countries; and, although much of it doubtless owes its existence to war conditions, a great part of the advance has been the result of closer personal investigation and of the exercise of more vigorous efforts on the part of American manufacturers than previously were put forth. Still, since my stay in the United States, I have seen in the columns of the press an undercurrent of suspicion and mistrust, with more than one open reference to the necessity for official protection, even by force, for American investors in South American countries. Speaking for my own country, let me say, gentlemen, that the great and close relations built up by Europe with the Argentine Republic have been established principally on the basis of mutual confidence; and, unless the Americans are prepared to show the same confidence as has been shown by the financial and mercantile communities of Europe—a confidence justified by long experience—they had better not waste their time or their money in the effort to capture a larger share of our trade."

A True Tale of Thrift

A PUBLIC official from a western state relates this incident:

"There were in my office some years ago two young men whose tendencies I observed with considerable interest. Their salaries were equal, and both were single men. But their habits differed. One was disposed to extravagance in dress, and smoked several ten-cent cigars daily. The other, though dressing neatly, was economical in his expenditures for clothing, and while also in the habit of smoking, he used a pipe, and thus saved a sum not to be despised.

"Their expenditures on other things showed the same variation—one being given to buying luxuries and the other exercising care and economy, though not living parsimoniously.

"The man whose habits were extravagant gradually got into debt, and finally was sued. I was asked to intervene to prevent his dismissal from employment on this account.

"One day, not long after this incident, I was surprised when the other man—the one who had been careful of his expenditures—came to me and asked if I could suggest a sound investment for $1,100 which he had saved.

"These examples, coming under my immediate personal observation at a somewhat early stage in my own career, were of great value in fixing upon my attention the wisdom of practicing thrift."

Special Railway Tours to the Bankers' Conventions

As usual in recent years, arrangements have been made by two of the prominent Eastern railway lines for special tours to the convention of the American Bankers' Association which will be held at Kansas City, Mo., September 25 to 30. These tours provide for those who wish to go direct to the convention and return home with the least possible loss of time and for others—perhaps the most numerous class—who will want to make the trip to the convention an incident of an extended tour which will afford an opportunity of visiting various points of interest in the Rocky Mountain region. Train equipment and service of unusual excellence are assured, and the fact that many bankers will be on the trains who have made the journey together in other years will give to the trip the aspects of a pleasant social reunion. It is certain that many bankers from the East and South will join these tours, which afford an agreeable opportunity of friendly association combined with a visit to the convention and the chance of seeing some of the greatest scenic attractions on the continent. More detailed announcements of these tours will be found below.

NEW YORK CENTRAL CONVENTION TOURS

THESE tours have been planned under the direction of the Transportation Committee of the New York State Bankers' Association and have the approval of the bankers' associations of New York, New Jersey and Connecticut.

The three special trains which will be run over the New York Central Lines to the Kansas City Convention of the American Bankers' Association provide for three tours—one through Yellowstone National Park and the Colorado Rockies, another through Rocky Mountain National Park (Estes Park) and the Colorado Rockies, and the third direct to Kansas City and return.

The special trains will be accompanied by a representative of the Traffic Department of the New York Central Railroad, which is a guarantee that they will enjoy the best there is in transportation service.

DETAILS OF THE TOURS

IN arranging the itineraries for the tours, consideration has been given to the desire of those who wish to make this the occasion of an extended trip; those who can devote only a little extra time to travel and those planning to go to and return from the convention as quickly as possible.

TOUR "A"—WHITE SECTION

Yellowstone National Park, Salt Lake City, Colorado Rockies, Colorado Springs and Denver

THE White Section will leave Grand Central Terminal, New York, via the New York Central Lines at 1 p. m. on Saturday, September 9, arriving at Chicago at noon September 10, proceeding direct to Yellowstone Park, via St. Paul. From Chicago to St. Paul the line of the Chicago and Northwestern Railway is used traversing the rich farming country of Illinois and Wisconsin.

THERE ARE MANY SUCH TRAILS IN THE PIKE'S PEAK PEGION

From St. Paul the trip is continued via the Northern Pacific Railway across Minnesota, North Dakota and Montana to Gardiner, Montana, the northern entrance to Yellowstone Park. The complete tour of the Park will be made, leaving through the western gateway (Yellowstone Station).

Upon leaving the Park, the Special will proceed to Salt Lake City via the Union Pacific System, where opportunity will be given to visit the points of interest. From Salt Lake City the route lies over the Denver & Rio Grande Railroad, "The Scenic Route," to Glenwood Springs where an entire day will be spent.

The route thence is through the Royal Gorge to Colorado Springs, reaching there on the evening of September 20. At Colorado Springs two days and a half will be spent giving opportunity to the members to take individually the many interesting side trips from that point.

On the evening of September 22 the party will retire on the train arriving at Denver early the following morning, where side trip will be made to Silver Plume via the famous Georgetown Loop.

From Denver to Kansas City the Chicago, Burlington & Quincy Railroad will be used, arriving at Kansas City Sunday afternoon, September 24, giving ample time to get settled before the opening of the convention.

At the close of the convention the party will leave Kansas City Saturday evening, September 30, via Atchison, Topeka & Santa Fe Railway for Chicago, reaching there on the morning of October 1, and arriving at New York via the New York Central Lines on the morning of October 2.

The tour covers all expenses except hotel accommodations at Kansas City, with every detail carefully arranged, relieving members of the many responsibilities and cares incident to such a trip.

IN CRYSTAL PARK, COLORADO

TOUR "B"—RED SECTION

THE Red Section will leave Grand Central Terminal New York, at 5:30 p. m. Thursday, September 21, proceeding direct to Kansas City via Chicago and the Atchison, Topeka & Santa Fe Ry., arriving at Kansas City at 7:30 a. m. Saturday, September 23. The Red Section will be run for the special accommodation of those desiring to arrive in Kansas City in advance of the opening date of the convention.

TOUR "C"—BLUE SECTION

THE Blue Section will leave Grand Central Terminal, New York, at 12:30 p. m. Saturday, September 23, arriving at Kansas City at 9:15 p. m. Sunday, September 24, via Chicago and the Atchison, Topeka & Santa Fe Railway, spending only one night en route.

This section will accommodate those who desire to attend the convention, spending as little time as possible away from their offices.

At the close of the convention Tour "B," Red Section, and Tour "C," Blue Section, will be merged, one train returning directly to New York, leaving Kansas City at 6 p. m. Saturday, September 30, via Atchison, Topeka & Santa Fe Railway for Chicago, arriving at New York via New York Central Lines at 9:20 a. m. Monday, October 2. This train returning to be known as Tour "C," Blue Section.

The other train will be known as Tour "B," and will be extended for a tour of Rocky Mountain National Park (Estes Park), Colorado Springs and Denver. This tour is arranged especially for members of Tour "B" and "C," who may find it convenient to devote a little extra time to travel after the convention.

Estes Park, in Rocky Mountain National Park, is the newest of Uncle Sam's great national reservations, located in the heart of the most wonderful scenery in the Colorado Rockies. This trip will also include a visit to Colorado Springs and Denver and undoubtedly will be the most popular and interesting short tour ever arranged.

The Estes Park Special (Tour "B") will leave Kansas City via Chicago, Rock Island & Pacific Railway at 10 p. m. Saturday, September 30, proceeding direct to Colorado Springs, arriving at that point at 3:30 p. m. the following day, where the party will remain until early on the morning of October 4, giving the same opportunity to take individually the interesting side trips from that point as in Tour "A." On the evening of October 3 party will retire on train, arriving at Denver early the following morning. The day and night of October 4 will be spent at Denver, and a special trip included to Silver Plume and return via the famous Georgetown Loop.

Train will leave Denver via Chicago, Burlington & Quincy Railroad at 9:30 a. m. October 5 for Lyons, where automobiles will be taken for the trip to Estes Park, a distance of about twenty miles—along the beautifully shaded St. Vrain river, thence over a splendid highway amid most impressive scenery, magnificent in its ruggedness.

During the stay of two days at the Park opportunity is afforded for numerous automobile rides, including mountain trips and tours through the various canons. Probably the most interesting trips are the "Fall River Road and High Drive" of about thirty miles through Rocky Mountain Park, consuming approximately three hours, and the drive to Copeland Lake and return, a distance of about thirty-five miles. For devotees of the ancient and royal game there is a fine golf course.

On October 7 automobiles will convey the party to Loveland (where train will be waiting), a distance of thirty miles. Soon after leaving Estes Park the highway enters the Canon of the Big Thompson River and does not emerge again until Loveland is reached. While in the Canon the road crosses and recrosses the river seventeen times owing to the winding path of the waters; a panoramic view for almost the entire distance.

At Loveland the party will again board special train (which has proceeded from Lyons during the stay in park), via Colorado & Southern Railway for Denver. A special dinner will be served at the Brown Palace Hotel. The party will leave Denver at 10 p. m. for the homeward journey via the C. B. & Q. R. R. to Omaha, where a brief stop will be made, thence to Chicago via Chicago Great Western Railway, reaching there on the morning of October 9, and arriving at New York, via New York Central Lines, at 9:20 a. m. October 10.

Arrangements have been concluded with the leading hotels at all stop-over points for the accommodation of the members of the various tours. Hotel accommodations at the Antlers, Colorado Springs; Brown Palace, Denver, and Hotel Colorado, Glenwood Springs, provide for two in a room, with bath. When room is occupied by only one person there will be an additional charge.

Passengers will be entitled to the usual free allowance of baggage with access thereto at any time while en route. As trunks cannot be transported in surreys or coaches, it will be necessary to place whatever wearing apparel may be required during the trip through Yellowstone Park in hand grips limited to 25 pounds each person. Trunks must be left on the train in charge of railroad representative during Yellowstone tour. A heavy overcoat will be useful in the park as the morning and evenings are quite cool. A duster or mackintosh should also be carried.

EQUIPMENT OF SPECIALS

THE highest grade of Pullman, drawing-room and section sleeping cars, compartment, observation, club,

and dining cars will be assigned to each train.

The drawing-room accommodates three persons, and compartment two persons, each room containing complete toilet facilities.

There will be valet and barber on each train, and, in addition, a maid whose services will be at the disposal of the lady passengers.

Each train will also carry a stenographer, whose services will be free to the members of the party.

RESERVATIONS

APPLICATIONS for reservations should be sent to William J. Henry, Secretary, New York State Bankers' Association, 11 Pine street, New York City, or W. V. Lifsey, Assistant General Passenger Agent, New York Central Lines, 1216 Broadway, New York, who will gladly furnish any additional information desired. Reservations will be made in the order in which applications are received and each application must be approved by one of the committee before assignment is made.

The Transportation Committee has extended a most cordial invitation to all bankers and their friends in the East and South to take advantage of the splendid arrangements that have been made for their comfort and pleasure by the New York Central Lines.

Pennsylvania Railroad's Special Tour to the Kansas City Convention

A DELIGHTFUL trip has been arranged by the Pennsylvania Railroad in connection with the Forty-second Annual Convention of the American Bankers' Association to be held in Kansas City, September 25 to 30.

OUTLINE OF TOURS

AT the suggestion of and with the official approval of the Transportation Committee of the New York State Bankers' Association, the Pennsylvania Bankers' Association, the New Jersey Bankers' Association, and the Connecticut Bankers' Association, a twenty-three-day trip has been arranged, embracing a complete tour of Yellowstone National Park and visits to Salt Lake City, Denver and Colorado Springs, including a trip to the famous Cripple Creek gold mining district in addition to the stay in Kansas City for the convention.

There has also been arranged a Special Train de Luxe, making a fast schedule between New York and Kansas City, for the especial accommodation of those who cannot afford the time necessary for the longer tour. This will permit of departure from the East after banking hours on the Saturday preceding the convention and arrival home before banking hours on the Monday following adjournment.

Many members of the American Bankers' Association and their friends have in the past honored the Pennsylvania Railroad with their patronage and enjoyed traveling by special trains operated under its personally conducted tour system. The Special de Luxe Tours arranged for the meeting at Kansas City this year will be featured in every way to insure Pennsylvania Railroad de Luxe Service.

SPECIAL TRAINS DE LUXE AND HOTEL ACCOMMODATIONS

BOTH those who take the Yellowstone Tour and those who make the shorter trip will have at their constant command a Special Train de Luxe, of the finest grade of Pullman equipment, except during the tour of Yellowstone Park; the stay in Kansas City for the Convention and in Denver and Colorado Springs where hotels will be used.

GRAND CANYON OF THE YELLOWSTONE

These trains will be electrically-lighted counterparts of the "Broadway Limited" and will consist of parlor-smoking, drawing-room and compartment sleeping cars, observation cars and Pennsylvania Railroad Restaurant Cars, in which will be served all meals, except as otherwise mentioned in the itinerary.

The tour of Yellowstone Park will be by the comfortable stages of the Park Transportation Company, with stops for meals and lodging at the delightful Park hotels and the accommodations at hotels in Denver and Colorado Springs will be of the highest grade.

The Cripple Creek side trip from Colorado Springs will be made by train and electric car service, with a special luncheon at one of Cripple Creek's hotels and a special inspection of the Elston Mine, one of the most noted plants of this, the largest gold-producing district in the world.

A special side trip will also be made from Denver to the summit of the Continental Divide by the Moffatt Line which affords a splendid opportunity for seeing some magnificent Rocky Mountain scenery.

Accommodations at Kansas City hotels must be secured individually through the American Bankers' Association by applying to the local hotel committee, R. C. Menefee, chairman, care of Commerce Trust Company, Kansas City, Mo.

New England Bankers join tour party at New York. Southern Bankers join tour party at Washington.

PARTY TRAVEL A PLEASANT FACTOR

THOSE contemplating a trip to the Kansas City Convention will appreciate the advantages from both social and business standpoints of traveling in a well-organized and congenial party. On such a trip as the one outlined here-

SALT LAKE CITY HAS MUCH TO SHOW THE VISITOR

in opportunity is afforded for cementing old social and business friendships and making new ones under the most pleasant auspices.

Both on the extended tour and on the shorter direct tour to and from Kansas City only, every effort will be made to further the comfort and convenience of members of the party. So far as is possible those from the same localities will be quartered in the same car, this bringing friends together. This will insure a closer relationship and promote a congenial atmosphere.

In addition to the usual personnel of regular train and Pullman service, a representative of the Pennsylvania Railroad will accompany the party throughout the tour for the purpose of seeing that all arrangements are carried out in a prompt and efficient manner.

There will be found on the special trains a stenographer, who will render service without charge; a special baggage master, who will take entire charge of the baggage of the party; a barber and valet, and a competent ladies' maid.

Members of the party will be provided with special baggage tags to be attached to every piece of baggage as a ready means of identification. Baggage should be checked through from starting point to Yellowstone Station, Mont. The Special Baggage Master will collect baggage checks on the train and see that all baggage is safely transferred to and from hotels at all points where hotels are used. Members of the party may have access to their baggage at any time while on the train upon application to the special baggage master.

As heavy baggage cannot be transported through Yellowstone Park, members of the party should make a suitable selection of clothing for this trip, to be

carried in hand bags or dress suit cases. It is suggested that a change of light and heavy clothing be taken for this trip as the nights in the Park are apt to be chilly at this season of the year.

Mail may be forwarded to members of the party en route in care of postmaster at all points where a stop of several hours is noted in the itinerary. Letters and telegrams should be addressed to "Bankers' Tour de Luxe, Pennsylvania Railroad."

RESERVATIONS

APPLICATION for reservations on the Special Trains should be addressed to Pennsylvania Railroad representatives whose names are listed below:

Oliver T. Boyd, Division Passenger Agent, 263 Fifth avenue, New York City; W. V. Bibbe, District Passenger Solicitor, 487 Fifth avenue, New York City; W. P. Harriman, District Passenger Solicitor, 170 Broadway, New York City; F. E. Binns, District Passenger Solicitor, 336 Fulton street, Brooklyn, N. Y.; C. E. McCullough, District Passenger Solicitor, Essex Building, Newark, N. J.; W. W. Porter, Passenger Solicitor, 129 Church street, New Haven, Conn.; Rodney MacDonough, New England Passenger Agent, 5 Bromfield street, Boston, Mass.; F. B. Barnitz, Division Passenger Agent, 1433 Chestnut street, Philadelphia, Pa.; W. Pedrick, Jr., Division Passenger Agent, N. E. Cor. Baltimore and Calvert streets, Baltimore, Md.; T. L. Lipsett, District Pasenger Solicitor, 15th and G streets, N. W., Washington, D. C.; A. E. Buchanan, Division Passenger Agent, 300 Telegraph Building, Harrisburg, Pa.; A. C. Weile, District Passenger Solicitor, 16 North Fifth street, Reading, Pa.; David Todd, Division Passenger Agent, Williamsport, Pa.; B. P. Fraser, Division Passenger Agent, 602-4 Brisbane Building, Buffalo, N. Y.; Roy L. Stall, Division Passenger Agent, 212 Oliver Building, Pittsburgh, Pa., or Jas. P. Anderson, General Passenger Agent, Broad Street Station, Philadelphia, Pa.

Getting the Co-operation of Clerks

I BELIEVE that if the officers of every bank in the land should periodically call their clerks together for a half-hour's discussion of the ways and means by which the good will of a bank may best be maintained and increased, such meetings would be only second in effectiveness to those of the board of directors.—Clark Williams.

Counterfeit $10 Note

ON the First National Bank of Atlanta, Tex.; series of 1902; J. C. Napier, Register of the Treasury; John Burke, Treasurer; portrait of McKinley; charter number 3520; bank number 4922; Treasury number H628746B.

This counterfeit is printed from photographic plates, with silk threads distributed between two pieces of paper. It is a poor counterfeit and should be readily detected. E. R. Carter, the maker of this bill, was arrested at Fort Worth, Tex., May 24, and a number of the counterfeits, together with the plates from which they were made, seized. Robert Edminson was arrested at Abilene, Tex., May 19 for passing these counterfeits.

New President of the Peoples State Bank of Detroit

ON June 23, at a special meeting of the board of directors, James T. Keena was elected president of the Peoples State Bank of Detroit, to fill the vacancy that has existed since the death of George E. Lawson. Mr. Kenna has been connected with the bank as counsel since its organization and has been its vice-president since January, 1914.

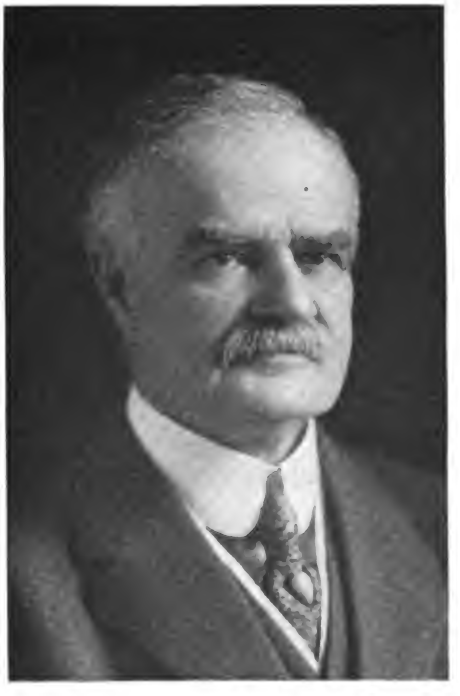
H. P. Borgman, formerly cashier of the savings department, has been made a vice-president, and J. R. Bodde, formerly assistant to president and assistant cashier, was also made a vice-president. Austin E. Wing, formerly cashier, has been made assistant to president, and R. T. Cudmore, formerly assistant cashier, has been made cashier.

Election of Mr. Keena as president of the Peoples State Bank fills a vacancy that has existed since February 15, this year. The institution being the largest state bank in Michigan, the selection of its president has been awaited with interest not only in business and financial circles in Detroit, but in other towns of Michigan and elsewhere.

Mr. Keena, on whom the choice of the directors has settled, was a very close friend of Mr. Lawson, and of George H. Russel, who preceded Mr. Lawson as president.

Until he was made vice-president of the Peoples State Bank, Mr. Keena was actively engaged in the practice of law in Detroit, and had attained a place among the leading members of his profession. Possessing an attractive personality, he also is a fluent talker, and has gained much prominence as an after-dinner speaker at social and club events.

Mr. Keena was born in Ogdensburg, N. Y., in 1851. His early education was acquired in the public schools of Detroit and in the Christian Brothers school in Buffalo. Graduating from the law department of the University of Michigan, in 1874, he was admitted



JAMES T. KEENA
RECENTLY ELECTED PRESIDENT PEOPLES STATE BANK, DETROIT, MICH.

to the bar the same year and became associated with Atkinson & Atkinson in the practice of law in Detroit.

Two years later the firm of Trowbridge & Keena was formed, Mr. Keena's partner having been the late Luther S. Trowbridge. In 1880, Mr. Keena was a candidate on the Democratic ticket for judge of probate, but

was defeated by the re-election of Judge Edgar O. Durfee. He was appointed attorney for the Peoples Savings Bank in 1880 and retained that position with the larger bank formed by merger with the State Savings Bank seventeen years later.

In later years the firm of Keena & Lightner was organized, the style of the firm name subsequently changing to Keena, Lightner & Oxtoby, then to Keena, Lightner, Oxtoby & Oxtoby, and to Keena, Lightner, Oxtoby & Hanley.

Mr. Keena has been a director of the Standard Accident Insurance Company of Detroit since its organization and prior to his retirement from law practice he was attorney for that company. He is a director of the First Commercial and Savings Bank of Wyandotte and of the Hamtramck State Bank.

His club and society affiliations include the Detroit Club, Yondotega Club, Witenagemote Club, the Audubon Society, New York Society of Detroit, Detroit Bar Association, American Bar Association, Bankers' Club of Detroit, American Bankers' Association and several fishing clubs.

Mr. Keena has been married twice. He is the father of three children by his later marriage and of four by the first marriage. His oldest son, Leo J. Keena, who gained much fame as a football star in the University of Michigan, is now United States Consul General in Valparaiso.

ADVERTISING THE KANSAS CITY CONVENTION

THE Old National Bank of Spokane is doing its share to give publicity to the forthcoming convention of the American Bankers' Association by the following announcement in red ink in the lower left hand corner of its letter head:

Forty-second
Annual Convention
American Bankers' Association
Kansas City, Missouri
September 25-30
1916

If other banks would adopt a similar plan it would go a long way towards making this year's convention "the biggest ever."

Kind of Courage Needed

From a Speech by HON. JOHN D. WORKS, United States Senator from California, Delivered in the Senate June 26, 1916

WHAT this Nation needs, what the world needs, most of all, is not physical but moral courage; courage to stand for what is right without regard to the consequences of one's self; courage to respect and maintain the rights of other nations as well as our own; courage to withstand the temptations of ambition and self-seeking; courage to uphold the public interests as against personal or party considerations; courage to be loyal and true to the country as against political expediency or party success; courage to say to the power of patronage and party gain, at the expense of the public interests and efficient service, "Get thee behind me, Satan"; courage to resist the execu-

tive power in legislation and appointment to office and serve only the public good as judgment and conscience dictate, regardless of consequences to one's self or one's party. Courage to serve within the limitations of the fundamental laws of the country and to resist the temptation to dictate or coerce action by other public servants or departments of government; courage to be a servant of the people and not their master; courage to resist the ambition to be a dictator and a despot; courage to stand fearlessly against the power of wealth in defense of the rights of all the people, rich or poor, high or low, capitalist or laborer, black or white; courage to stand steadfastly for social and industrial justice to all; courage that stands fearlessly for honesty, integrity, independence, and loyalty to the public welfare against all the temptations and allurements of ambition, partisanship, public favor, or self-aggrandizement; courage to be loyal and true not only to one's own nation and its people, but to all the peoples of all the nations of the world; courage to stand for international as well as national patriotism; courage to be just to other nations at the expense of one's own country; courage to stand fast for the freedom and independence and liberty of all men everywhere without regard to race, nationality, color, or condition; courage to be just and neutral as between warring nations; courage to support and defend one's adopted country against the wrongful invasion or unjust or illegal infringement of its rights by any other country; courage to do the right thing at all times as conscience dictates, regardless of consequences.

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Subscribers can get on this list free of charge

Watch for New Names and Other Changes

F. R. Adams, Will Co. National Bank, Joliet, Ill.
American National Bank, Richmond, Va.
D. Ansley, care Central Trust Co., San Antonio, Texas.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.
D. R. Branham, 6252 Leland Way, Los Angeles, Cal.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
Bank of San Rafael, San Rafael, Cal.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
The Citizens Bank & Trust Co., Tampa, Fla.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
Allan Conrad, Box 385, Port Huron, Michigan.
B. S. Cooban, 518 W. 62d Street, Chicago, Ill.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
M. Clarence Crowson, cashier, Home Banking Co., High Point, N. C.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
Bradley Currey, c/o Fourth & First National Bank, Nashville, Tenn.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
C. M. Davenport, pub. mgr., Citizens Trust & Savings Bank, Los Angeles, Cal.
Dexter Horton National Bank, Seattle, Wash.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Eherspracher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.

H. Gavere, asst. cash. of Scandinavian American Bank, Grand Forks, N. D.
B. P. Gooden, advertising manager, New Netherland Bank, New York.
J. W. Groves, advertising manager, Minnesota Loan & Trust Co., Minneapolis, Minn.
O. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
D. L. Hardee, publicity manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, vice-president, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Indiana Bldg. & Loan Association, South Bend, Ind.
Charles D. Jarvis, c/o Savings Bank of Utica, New York.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
Theodore Jessup, Woodlawn Trust & Savings Bank, 1204 E. 63rd Street, Chicago, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
M. R. Knauft, cashier, Merchants National Bank, St. Paul, Minn.
A. T. Kahn, vice-president, Commercial National Bank, Shreveport, La.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
E. G. McWilliam, publicity manager, Security Trust Savings Bank, Los Angeles, Cal.
Ralph H. Mann, Park Trust Co., Worcester, Mass.
Charles S. Marvel, The First-Second Savings & Trust Co., Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
J. H. McDowell, c/o American Trust & Banking Co., Chattanooga, Tenn.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Northwestern Trust Co., R. P. Sherer, vice-president, St. Paul, Minn.
W. W. Norton, Treas., Robbins Burrall Trust Co., Lakeville, Conn.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
John W. Pratt, Real Estate Officer, The Kennett Trust Co., Kennett Square, Pa.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
George J. Schaller, cashier, Citizens National Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
Sioux City Trust & Sav. Bank, Ben W. Frieden, cashier, Sioux City, Iowa.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
A. C. Smith, vice-president, City National Bank, Clinton, Iowa.
J. G. Spangler, cashier, The Mesa City Bank, Mesa, Ariz.
F. E. Stewart, secretary and treasurer, Commercial Savings Bank & Trust Co., Toledo, Ohio.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
C. C. Willson, c/o Continental & Commercial Trust & Savings Bank, Chicago, Ill.
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

NEW NAMES

German American Bank, Springfield, Mo.

Counterfeit $5 Note

ON the First National Bank of Brainerd, Minn.; check letter "C"; series of 1882-1908; J. W. Lyons, Register of the Treasury; Ellis H. Roberts, Treasurer of the United States; charter number 2590; bank number 2513; Treasury number N336360; portrait of Garfield.

This counterfeit is printed from zinc-etched plates on two pieces of paper, between which red ink lines have been placed to represent the silk fiber of the genuine. No attempt has been made to color the seal or numbers on the face of this note. The paper is very heavy and cheap. Nils A. Roselund was arrested in Chicago, Ill., May 10, with five hundred of these notes and the plates from which they were printed in his possession. None of them were circulated.

Banking and Financial Notes

EASTERN STATES

New York City

—The Corn Exchange Bank has been admitted to membership in the Federal Reserve system. It is the second State institution to become a stockholder of the Reserve Bank.

The Corn Exchange Bank began business in 1853. In 1899 it inaugurated the system of branch banking in this city. It has 36 branches in Greater New York. The report of the condition of the Corn Exchange Bank at the close of business on June 30 of this year showed the capital stock to be $3,500,000; surplus on market values, surplus fund, $6,991,165; surplus on book values, $6,817,388, and extend total deposits $120,440,568.

—George C. Van Tuyl, Jr., president of the Metropolitan Trust Company, has announced that owing to the large increase in business and the additional

Harold B. Thorne
VICE-PRESIDENT METROPOLITAN TRUST COMPANY, NEW YORK

work incident thereto, it has been necessary to increase the executive staff by the election of Harold B. Thorne as fourth vice-president.

Mr. Thorne is well known among New York bankers and in other large cities and is thoroughly equipped to take up his duties with the Metropolitan Trust Company, having entered the service of the Mercantile Trust Com-

pany as a junior clerk over twenty-one years ago, filling successively the positions of assistant treasurer, treasurer and vice-president of that company until its merger with the Bankers Trust Company and since the merger as one of its vice-presidents, from which office he resigned to join the forces of the Metropolitan Trust Company.

—The United States Mortgage and Trust Company will, in addition to paying the salaries of such employees as have been called to the colors, retain their positions for them when relieved from military service.

—Compared with the corresponding statement of a year ago, the statement of the Guaranty Trust Company of New York, as of June 30, 1916, shows a gain of $156,987,818.01 in deposits and a gain of $158,376,107.25 in resources, the totals now being as follows: Deposits, $437,992,912.82, and resources, $520,744,575.24.

—The board of directors of the Bankers Trust Company, at a recent meeting, elected Albert H. Marckwald and Albert A. Tilney vice-presidents. Under their direction the company will organize and develop a new department for

ALBERT H. MARCKWALD
VICE-PRESIDENT BANKERS TRUST CO., N. Y.

the purchase and distribution of securities. Up to the present time the Bankers Trust Company has confined its activities in the security market largely to purchases and sales for its own account, but the growing demands of its customers and correspondents for advice and assistance in regard to investments have made necessary the broadening of this field of the company's activities.

Albert A. Tilney has been connected with the company since August as assistant to the president, prior to which time he had been connected with the firm of Harvey Fisk & Sons, first as

Boston representative and, since 1904, as a member of the firm.

Albert H. Marckwald joined the New York Stock Exchange in 1904 and has been a member of the governing committee since 1915. In 1907, prior to which he was connected with the firm of Harvey Fisk & Sons, he and the late J. Bradley Cumings formed the firm of Cumings & Marckwald, which is now being succeeded by Richard Whitney & Company.

ALBERT A. TILNEY
VICE-PRESIDENT BANKERS TRUST CO., N. Y.

—At a recent meeting of the board of directors of the United States Mortgage and Trust Company a quarterly dividend of six per cent. was declared payable June 30 to stockholders of record June 24, 1916.

William T. Law, formerly assistant secretary, was elected assistant treasurer, and William Van Thun, assistant manager of the 125th Street Branch Office, was elected assistant secretary.

—James Graham Cannon, prominent as a banker here for many years, and a director of the Fifth Avenue Bank, Bankers Trust Company and a number of other leading corporations, died July 5 at his home in Golden's Bridge, N. Y., in his fifty-ninth year. His career was most actively identified with the Fourth National Bank, in which he began as a messenger, and of which he was elected president on August 9, 1910.

—The capital stock of the New York Title and Mortgage Company has been increased from $2,000,000 to $3,000,000.

—The Corn Exchange Bank will erect a new Bronx branch building, two stories with store, at the northwest corner of Fordham Road and Decatur avenue.

Philadelphia

—The Northwestern National Bank, now at Girard and Ridge avenues, has purchased a site at the northwest corner of Broad street and Fairmount avenue, on which a handsome building will be erected for its occupancy. The price paid was $100,000. The sale was negotiated by J. C. B. Morley. The Northwestern is one of the strongest financial institutions in Philadelphia, ranking sixth in resources among national banks. The desire to obtain a building more suited to its importance influenced the directors in favor of the Broad street site.

—June bank clearings in Philadelphia were at the highest level ever known, says the First National Bank in its July letter. The buying power of this district was probably never greater than it is today. One handicap is the shifting tendency of labor, which is getting inefficient in proportion as it becomes more restless. Average wages are so high that it is questionable whether they could be much further advanced, unless employers should be able to put up the price of their products. It may be doubted whether they could do this, in view of the exceptional prices now prevailing for everything. Additional facilities for the manufacture of automobiles are being provided in this section where the use of the motor car is increasing by leaps and bounds.

Pittsburgh

—Extensive remodeling operations are under way at the Peoples Saving Bank of Pittsburgh. The entire banking room is to be remodeled along modern lines, the work being under the supervision of Weary & Alford, architects, who devote their entire attention to designing and executing modern banking quarters. During the remodeling the business will be conducted at 315 Fourth avenue, the old location of the Land Trust Company, which is ideally equipped to serve as temporary quarters.

The Safe Deposit and Trust Company will not be much affected by the remodeling, and business will continue without interruption at the old quarters above the bank. Arrangements have been made so that the patrons of the safe deposit vaults will have access to their boxes through a first floor entrance on Fourth avenue.

—Commercial conditions in the Pittsburgh district during the month of June did not differ much from the situation in May, except that many of the labor troubles of the earlier month were adjusted in June and industrial operations were resumed, says the Peoples National Bank and its July trade review. The misunderstanding over the exact terms of the agreement covering bituminous mining was responsible for some interruption in coal trade activities, but July opens with these troubles virtually

composed. In the steel trade domestic consumers have manifested less anxiety over more distant needs, and in many instances high premiums paid for guaranteed special deliveries have been reduced or have almost entirely disappeared. According to reliable but unofficial report, the foreign demand for steel has continued large and fairly urgent, and bookings for this account run well into 1917. A large percentage of this export business, being for other than war needs, will not, it is assumed, be affected by the duration of the war.

—The Third National Bank of Scranton, Pa., has purchased the lot and building adjoining its banking house on Wyoming avenue that was formerly the home of the Scranton Savings Bank.

The purchase was made from the Scranton Savings and Dime Bank, that has owned the property since the merger of the Dime Bank and the Scranton Savings Bank into the present Scranton Savings and Dime Bank.

The purchase by the Third National in all likelihood means another banking house that will be a distinct ornament to central city architecture. It is likely also that the building the bank will erect will be devoted entirely to banking purposes.

The purchase gives the Third National a site of sixty-seven feet front on Wyoming avenue and eighty feet in depth, amply large for a great bank building that will commensurate with the strength and solidity of the Third National.

The Third National holds a high rating among the national banks of the country and it is an institution of which Scranton is justly proud. Its business has outgrown its present quarters and the need of more room has been deemed imperative by the board. W. H. Peck, director of the Federal Reserve Bank of Philadelphia, is president of the Third National and B. B. Hicks is cashier.

—The Citizens' Commercial Trust Company of Buffalo has been organized with a capital of $2,000,000, amalgamating the Citizens' Bank, the Black Rock Bank and the Security Safety Deposit Company. Joseph Block will be chairman of the board; William H. Crosby, president, and William H. Andrews, vice-president. The merged institutions will be continued as branches. The new company has leased large quarters on the ground floor of Ellicott square.

—The Vineland National Bank of Vineland, N. J., is making extensive alterations to its bank building. The work is being done by Hoggson Brothers, New York, contracting designers.

The remodelled building, which will be a clever adaptation of the Georgian period of architecture, will be constructed of brick, with marble trim and granite base. Four white Vermont marble pilasters, across the front of the edifice, will give evidence to the element

of strength characteristic of the banking business. The banking room will be finished in oak and mahogany with a counterscreen of Botticino marble and base of light Bougardt, surmounted by handsome ornamental grilles.

The Vineland National Bank was incorporated in 1883. The present officers are: President, A. K. Richman; vice-president, E. A. Pierce; cashier, Edgar S. Ale; assistant cashier, J. Howard Morris.

—At a meeting of the board of directors of the First National Bank of Cooperstown held July 10 the resignation of George H. White as cashier to take effect August 1 was accepted and Assistant Cashier Frank Hale was appointed to fill the vacancy.

Mr. Hale has been connected with the First National Bank for a period of over twenty-seven years and several years ago he was appointed assistant cashier.

Mr. White feels that his resignation is necessitated that he may give proper attention to his personal affairs.

As cashier Mr. White has aided in placing the First National Bank among the best known banking institutions of central New York.

NEW ENGLAND

Boston

—The First National Bank has issued another pamphlet in the series known as "The Wealth of America." The lumber resources of the United States are discussed in the present booklet.

—The directors of the Boston Safe Deposit and Trust Company have declared the regular semi-annual dividend of $8 a share and an extra dividend of $10 a share, payable July 15 to stock of record July 5. Herbert Lyman was added to the board and R. M. Saltonstall was elected to the executive committee.

—The First National Bank, Wallingford, Conn., is considering the erection of a new bank building. F. A. Wallace is president.

—William H. Douglass resigned recently as president of the Mechanics Bank of New Haven and has been elected chairman of the board of directors. Frank B. Frisbie, formerly cashier, has been elected president and has assumed the duties of that office. Mr. Frisbie received his early training in banking in the National Tradesmen's Bank of New Haven, starting in 1893 and coming up through the various positions to that of assistant cashier in 1911. He left that bank to become cashier of the Mechanics Bank and in 1915 was elected a director and vice-president in addition to the cashiership. Owing to an agreeable personality and thorough training in banking, Mr. Frisbie has had a very successful career and during the years which the bank has

been under its present management the deposits have nearly doubled and the earnings have very largely increased. On account of illness Mr. Douglass has given up active business, but will still give personal attention to the affairs of the bank.

FRANK B. FRISBIE
PRESIDENT THE MECHANICS BANK, NEW HAVEN

—Bankers of the New England States met in Swampscott in June for their third annual convention. Before sitting as a body the state associations, except Vermont, held their annual meetings and elected officers as follows:

Maine—President, E. J. Eddy, Portland; vice-president, H. F. Libby, Pittsfield; secretary, E. S. Kennard, Rumford; treasurer, George A. Safford, Hallowell.

New Hampshire—President, Perley R. Bugbee, Hanover; secretary, H. L. Addition, Manchester; treasurer, E. P. Little, Laconia.

Massachusetts — President, Charles B. Cook, Fall River; vice-president, George E. Brock, Boston; secretary, George W. Hyde, Boston; treasurer, J. H. Gifford, Salem.

Rhode Island—President, Thomas B. Congdon, Newport; vice-president, M. F. Dooley, Providence; secretary, E. A. Heavens, Providence; treasurer, H. L. Wilcox, Providence.

Connecticut—President, F. B. Chamberlain, New Britain; vice-president, C. T. Treadway, Bristol; secretary, Charles E. Hoyt, South Norwalk; treasurer, W. E. Barker, New London.

The bankers were addressed by F. A. Pezet, former Peruvian ambassador to the United States, on trade relations with South America. Andrew J. Frame

of Waukesha, Wis., discussed the question whether governmental activities are hampering American progress. "The American Bankers' Responsibility Toward National Content" was the subject of an address by Edward F. Trefz, field secretary of the Chamber of Commerce of the United States.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—The annual meeting of the Virginia Bankers' Association was held at Old Point Comfort in June.

The election of officers passed off without excitement, and opposition only in one case, that of treasurer. Colonel Julian H. Hill, who has held the office for some time, declined re-election and there were two nominations to fill the vancancy, W. F. Augustine, assistant cashier of the Merchants National Bank, Richmond, and Fred D. Maphis of Strasburg. Mr. Augustine won by a vote of 55 to 46. Richmond thus secured two of the major officers of the organization, W. Meade Addison, cashier of the First National Bank, having been elected vice-president.

According to the usual custom of the association, Vice-President E. B. Spencer of Roanoke was elected president without opposition. Walter Scott of Farmville, who has served the association for a number of years as secretary, was unanimously re-elected to that position.

Colonel Julian H. Hill, the retiring treasurer, was presented with a handsome loving cup by the association, the presentation being made by W. B. Vest of Newport News.

On behalf of the association, Norman H. Williams of Chase City presented to the retiring president, C. E. Tiffany, a beautiful loving cup.

The new executive council and standing committees, as elected and appointed for the new year follow:

Executive council—J. A. Willett of Newport News, group 1; W. H. McConihay, Covington, group 4; Norman H. Williams, Chase City, group 2; E. W. Tinsley, Roanoke, group 5; T. E. King, Marion, group 5; E. L. Robey, Herndon, group 3; John B. Neill, Berryville, group 3; J. D. Tucker, South Boston, group 4; Allen Cucullu, Lynchburg, group 4; John F. Rison, Danville, group 4.

One of the features of the convention was the contract interest rate which, according to the present law, cannot exceed six per cent. After a discussion of the matter at considerable length a resolution was adopted providing for the appointment of a committee of ten, made up from the five bank groups and consisting of an officer from a national bank and one from a state bank in each group. This committee was directed to take steps looking to the enactment of a law legalizing a contract rate of eight per cent. and leaving the rate six per cent. where no other rate is specified.

The activity of the Comptroller of the Currency against "usurious" interest charges led the Richmond bankers to have an act passed at the last session of the Virginia legislature allowing a minimum charge of fifty cents in the discounting of small notes.

The convention went on record as not approving that portion of the new check-clearing system proposed by the Federal Reserve Board affecting coun-

try items. After a discussion of this question the following resolution was adopted:

"Resolved, That it is the sense of this association that the provisions of the Federal Reserve Law which contemplate the ultimate collection at par of country items, form an unwise and unnecessary feature of that law, and that the Senators and Representatives from this State be requested to use their efforts to secure an amendment of the law in this particular, eliminating this feature therefrom, and that, in the meantime, the Federal Reserve Board be requested not to take action looking to the enforcement of said provisions."

In discussing this resolution, Charles S. Hamlin of Washington, governor of the Federal Reserve Board, admitted that some country banks would lose a small amount of exchange, but he thought this would be more than made up in increased deposits and a larger volume of business. He did not hesitate to say that the opposition of the plan was no more justifiable than to oppose the construction of a great free highway because a few owners of toll roads would suffer in a small way.

Governor Hamlin declared that the proposed check collecting system was merely an effort to fix a standard guage along which the country's vast volume of checks could travel and the sooner the banks adopt the system the sooner the whole banking world would be benefited.

Julien H. Hill, cashier of the National State and City Bank of Richmond, was elected by members of the American Bankers' Association as a member of the general nominating committee of the next National convention of this association, to be held at Kansas City, in September, defeating by a vote of 48 to 18 Tench F. Tilghman, president of the Citizens Bank of Norfolk. Mr. Hill was nominated by Thomas B. McAdams of Richmond.

President C. E. Tiffany was elected vice-president of the American Bankers' Association for Virginia. Carroll Pierce, vice-president of the Citizens National Bank of Alexandria, was

elected vice-president for Virginia of the national bank section of the American Bankers' Association by the members of that section in attendance. The members of the trust company section elected J. J. Scott, cashier of the Lynchburg Trust and Savings Bank, vice-president of that division for Virginia.

—A record was established for the Federal Reserve Bank of Richmond in rediscounts when for the week ending July 15 the total amount of securities handled by the parent bank for members in the Fifth Reserve District was $2,027,222. On several occasions the bank has handled a million and a half of paper for the member banks in a week, but the above amount is the largest in the history of the institution.

For the corresponding week in June the rediscounts amounted to $614,609. The discounts fluctuate the total for the last week in June being $1,196,327, while the first week in July it was only $646,017.

Governor Seay of the local Federal Bank gave as his opinion the reason for the large amount of rediscounts for the second week in July the fact that many banks have increased their interest rates and banks that have been forced to borrow used the Federal Reserve rather than a private bank and thus getting a lower rate of interest.

Clearings of the Richmond banks show more than $2,000,000 daily for the month of July up to and including July 18. In a report given out by the Richmond Clearing House Association the total clearings for the month up to July 18 amounted to $37,213,475. For the corresponding dates in June the amount was $23,412,006, showing an increase of $14,801,469.

—Employees of the First National Bank of Richmond who may be called into the service of the country as a result of possible war with Mexico will not lose their positions and their salaries will continue just the same as if

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B

they were at work in the bank. A statement to this effect has just been made by W. M. Miller, vice-president of the bank, who stated that a number of the employees of the bank were connected with the Virginia militia. The action of the bank is in line with similar action taken by other business organizations of the city.

—The rapid growth and extensive operations of the Federal Reserve Bank of Richmond will compel this institution to seek a new home and the local officers are looking around for a suitable site for a handsome bank building that is being contemplated. When the bank was opened here more than one and a half years ago the Federal institution established a home in the building formerly occupied by the City Bank.

With the increase in the work and the establishment of the new collecting system the work of the Reserve Banks will naturally be increased and the local bank is finding itself in crowded quarters. In order to overcome this trouble the question of a new building is under consideration and it is expected another home will be erected in the near future.

—Showing the excellent financial and business conditions in the Fifth Reserve District, composed of Maryland, District of Columbia, West Virginia, Virginia, North and South Carolina, an interesting report has just been prepared by the officers of the Federal Reserve Bank of Richmond. Every feature of commercial life is shown to be improving.

Rediscounts of the Federal Reserve Bank of Richmond, which is regarded as showing the financial pulse of the district, for the month of June amounted to $3,334,823, and for the corresponding month last year $4,004,310, showing a decrease of $669,487. This indicates that the banks of the district have more money than last year.

—Recognizing the merit system which obtains in the Planters National Bank, announcement has just been made of the promotion of W. W. Neale to the position of assistant cashier. For several years Mr. Neale has held the position of auditor of the bank. He is one of the best known young bank officials in the city.

Mr. Neale began his banking career in 1898 when he accepted a position with the Merchants National Bank of Richmond. He was next associated with the City Bank and when that institution was merged with the old State Bank into the present National, State and City Bank in 1910 he retired from the consolidated bank to accept a position with the Planters and has been with that bank ever since. His promotion to the present position is a mark of appreciation for his services.

—The Merchants Mechanics National Bank and the First National Bank, two of the oldest and strongest financial institutions of Baltimore, are

to be merged, according to an announcement of the respective boards of directors. The combined resources of the two banks aggregate more than $37,000,000.

—At the twentieth annual session of the North Carolina Bankers' Association recently held at Asheville W. S. Blankeney of Monroe was elected president; W. B. Drake of Raleigh, vice-president; James A. Gray, Jr., of Winston-Salem, second vice-president; and in a spirited contest J. B. Ramsey of Rocky Mount defeated Albert Myers of Gastonia for third vice-president. William A. Hunt of Henderson continues as secretary and treasurer. The executive committee is as follows: T. C. Turnage, J. H. Alexander, J. B. Blades, Graham H. Andrews, Neil Ellington, E. F. Powell, Hinton James, F. B. Bunch, George Blanton and Erwin Sluder.

The association went on record as opposing sections 13 and 16 of the Federal Reserve Bank act, it being the sense of the convention that each member of the association and all stockholders of the banks affiliated with the association take the matter up at once with the North Carolina Senators and Congressmen to have them vote to modify these sections.

The association refused the suggestion of a western bank association that it join in litigation to oppose the Federal Reserve plan, but held that it would oppose that section of the plan which did not appeal to it by legislation.

The North Carolina branch of the American Bankers' Association, which met after the state association adjourned, elected Albert Myers of Gastonia as state vice-president. George W. Montcastle of Lexington defeated Thomas E. Cooper of Wilmington for member of the general nominating committee of the American Bankers' Association.

—The 1917 convention of the Florida Bankers' Association will be held on Friday and Saturday, April 6 and 7,

at St. Augustine; headquarters, Ponce de Leon Hotel.

—The second annual Banker-Farmers' Conference will be held in Memphis, Tenn., August 8 and 9, participated in by the banks of Tennessee, Mississippi, Arkansas and western Alabama. Fifteen hundred banks have been invited.

The object of this conference is to exchange experiences in farm development work, to consider methods and plans for each individual bank to make farming more profitable in its territory and for joint co-operation of all banks and of all other agencies promoting more profitable farming in this district.

—A site has been acquired and steps will be taken immediately to build a handsome new fireproof bank building for the exclusive use of the Dallas Trust and Savings Bank, according to an announcement made recently by Judge Edward Gray, president. The cost of the building and equipment is estimated at $100,000.

WESTERN STATES

Chicago

—The Federal Reserve Bank of Chicago has declared an initial dividend on the basis of six per cent., including accrued dividends up to March 31, 1915, payable July 15.

—E. T. Meredith, class C director of Chicago Federal Reserve Bank, has resigned. Mr. Meredith is the Democratic nominee for Governor of Iowa. His resignation was accepted by the Federal Reserve Board.

—A meeting of the Chicago Title and Trust Company will be held on August 22 to decide on increasing the capital stock from $5,600,000 to $7,000,000.

—W. R. Abbott, general manager of the Chicago Telephone Company, has been elected a director of the Union Trust Company to fill the vacancy caused by the death of James Longley of Boston.

—The West is doing an excellent business, says the National City Bank of Chicago in its July trade letter, but there are indications that the best volume has been reached and that there may be a gradual decrease in some lines from now on. As compared with ordinary times, however, the present volume is very largely in excess of what it has been at the opening of July in any recent year. Large manufacturing interests have about all the orders that they can handle and reports from mercantile salesmen on the road show that a high average is still being done. Retail trade is excellent and the prosperity of the country is indicated by the continued heavy volume of mail-order business. There is a good undertone and while the new turn in Mexican af-

fairs has caused unsettlement, prevailing sentiment is optimistic. General business has gained such momentum as to make it difficult for it to subside without very good reason. An interesting sign is the immense volume of railroad traffic which shows good gains over last year and indicates Western roads are still enjoying a high degree of prosperity. In this vicinity there has been such a revival of building as to give rise to broad buying of the sort of steel material that is now required in the construction of modern buildings.

Detroit

—The American State Bank of Detroit has increased its capital from $250,000 to $500,000 and its surplus and undivided profits from $56,000 to $100,000. The growth in assets of this bank has been steady as witnessed by the following table:

April 18, 1912	$975,818.72
Nov. 26, 1912	1,215,011.65
Aug. 9, 1913	1,625,522.29
March 4, 1914	2,032,735.17
Dec. 31, 1914	2,430,086.88
March 4, 1915	2,706,955.86
June 3, 1915	3,166,055.87
Sept. 2, 1915	3,742,520.37
Nov. 10, 1915	4,111,718.19
March 7, 1916	4,508,703.93
May 1, 1916	4,681,511.23
June 30, 1916	5,040,515.31

Officers of this bank are as follows: President, Wm. E. Moss; vice-presidents, Paul H. Deming, James J. Brady; vice-president and cashier, W. J. Hayes; assistant cashier, Gordon Fearnley; assistant cashier and auditor, R. C. Siple.

—On June 30, 1916, the National Bank of Commerce had total resources of $23,116,257.52, as compared with $18,362,040.68 on January 1, 1916. Deposits on the same date were $20,633,370.56, as compared with $15,946,781.69 on January 1, 1916, and $12,893,485.37 on January 1, 1915. This bank, which has a capital of $1,000,000 and a surplus of $500,000,

has shown a steady growth for the past seven years as is shown in the following table of net earnings:

1908	$79,820.75
1909	101,447.62
1910	136,526.90
1911	148,985.57
1912	163,637.14
1913	225,947.86
1914	202,566.67
1915	222,795.62

The Bank of Commerce was organized June 1, 1907. Its present officers consist of the following: President, Richard P. Joy; vice-presidents, Wm. P. Hamilton, Charles R. Talbot, Samuel R. Kingston; vice-president and cashier, Henry H. Sanger; assistant cashiers, Wm. H. Courtaine and Chas. N. Maycock; auditor, Wm. J. Brownell.

—Detroit's growth finds no parallel in recent history. This city is moving at a swifter pace than any in the world, when the population is used as the basis of the improvements being made.

No matter which direction one goes he sees the work of the builders. Downtown some imposing office and commercial buildings have been completed since the first of the year or are in the process of construction. There is hardly a leading thoroughfare without one or more area ways enclosed for the safety of pedestrians.

In the factory districts additions to plants are so common that they attract scant attention, being accepted as a matter of course by the community, now regarding such things as a necessity.

The residential districts are dotted with new houses and others that are in the course of construction.

There is one thing that is not seen very often in Detroit—the For Rent sign. Of course there are stores to be had and a few offices, but the percentage is very small. Business buildings that have been erected in locations where the trade exists are leased long before the plaster is dry.

Houses, there is a greater scarcity of houses and flats than in any city. Rents may seem high, but they are no greater

than citizens are anxious to pay. In fact, it will take more than 10,000 new houses and apartments a year to keep pace with the growth in the population of the city.

Reports at the Board of Commerce indicate that there is no let up in the number of people who are moving here. They are coming from other cities far and near, attracted by the great amount of work to be done and the high wages which rule.

More factories are running full time or extra hours here than in any city, the demand for the Made-in-Detroit brand spreading to every industry in the city.

That this year will establish a new building record there seems to be no doubt. The figures for the first six months are about $4,000,000 more than for the same period in any other year.

In the half-year 7,228 building permits were issued, against 4,293 last year. The gain over 1915 is more than $7,596,000, the total for the six months this year being $21,195,455.

Construction is going along just as fast as the materials can be secured and the labor hired. That it will continue through the coming six months there is little doubt. With business holding as it is there probably will be another gain in 1917, so that the goal of 1,000,000 population in 1920 grows nearer with each month.

St. Louis

—One St. Louis man has succeeded another as president of the Financial Advertisers' Association, which recently held its first annual meeting at Philadelphia. M. E. Holderness of the Third National Bank was elected president of the association to succeed John Ring, Jr., of the Mercantile Trust Company. Both of these men are widely known as experts in banking publicity and both have been ardent in organizing and promoting the growth of this association.

—St. Louis has quite appropriately

been chosen as the scene of the next big advertising convention. This city has a lot to brag about, and at the coming convention it will have a welcome opportunity of showing the rest of the country something about its many advantages.

—The German American State Bank of Saginaw, Mich., which was established in 1912, on June 30 showed total resources of $1,716,710.68 and deposits of $1,549,996.88. The bank has a capital of $100,000 and surplus and undivided profits of over $60,000. Its gain in resources since 1912 is shown in the following table:

June 30, 1912	$468,378.70
Dec. 31, 1912	594,937.66
June 30, 1913	781,278.16
Dec. 31, 1913	911,688.89
June 30, 1914	1,072,807.77
Dec. 31, 1914	1,219,889.42

The present officers of this bank are: President, E. L. Beach; vice-presidents, Edwin Kersten, John C. Davies, W. F. Hemmeter; cashier, H. T. Robinson; assistant cashiers, S. G. Arnold and C. S. Laesch.

—At the thirtieth annual convention of the Michigan Bankers' Association recently held at Flint, W. J. Gray of Detroit was elected president. Other officers were elected as follows: First vice-president, Frank W. Blair of Detroit; second vice-president, J. H. Rice of Houghton; secretary, Mrs. H. M. Brown of Detroit; treasurer, Gus Hill of Port Huron; counsel, Hal H. Smith of Detroit; council for one year, B. P. Sherwood of Grand Haven; two years, William L. Clements of Bay City; G. A. Blesch of Menominee; Herbert E. Johnson of Kalamazoo; A. W. Ramsay of Cheboygan; C. A. Price of Ithaca, and A. A. Anderson of Hastings.

A resolution was passed directing the president of the association to appoint a chairman of an agricultural commission, and the chairman of each group to appoint a member of the commission forthwith.

—The twenty-fourth annual convention of the Wisconsin Bankers' Association will be held at Madison, Wis., on August 8 and 9.

—The Dickinson Trust Company of Richmond, Ind., is now located in its new banking home at the corner of Eighth and Main streets. The trust company will occupy the entire building, which has a frontage of 42 feet on Main street and a depth of 110 feet on North Eighth street. Larger and more adequate working space had become an absolute necessity on account of the rapid expansion of the company's business. The official staff of this bank is composed of the following: President, E. F. Hiatt; vice-presidents, G. H. Eggemeyer, Howard Campbell; secretary, E. R. Lemmon; treasurer, J. A. Wiechman. Its deposits exceed $1,-500,000.

—By September 1 the Security National Bank of Sioux Falls, S. D., expects to occupy its new banking home. The building, which is six stories high,

was designed for office purposes. The bank will occupy the main floor, which will be beautifully finished in imported marbles, bronze and mahogany and equipped with the most modern banking room devices. The official staff of the Security National is composed of the following men: President, Walter E. Stevens; vice-presidents, George C. Holmberg and Ray C. Stevens; cashier, John Barton; assistant cashiers, Delmar C. Lowe and Cleveland R. Bond.

PACIFIC STATES

Seattle

—The most important action taken by the twenty-first annual convention of the Washington Bankers' Association, which was held in Everett in June, was the adoption of a resolution protesting against the rule of free exchange of checks for clearing or collection through Federal Reserve banks, to go into effect in July, as announced by the Federal Reserve Board. The adoption of the resolution carried no criticism of Federal Reserve Bank officials, but was made with the statement that there are burdens in the Federal Reserve act from which the banks must seek relief by proper legislative means.

Ralph S. Stacy, president of the National Bank of Tacoma, was elected president of the association and was installed in office at the close of the session by the retiring president, H. C. Lucas. Joseph A. Swalwell, vice-president of the National Bank of Commerce of Seattle, was elected vice-president; Frank C. Carpenter, president of the Cle Elum State Bank, was elected treasurer, and W. H. Martin, cashier of the Pioneer National Bank of Ritzville, was re-elected secretary.

H. L. Merritt, assistant cashier of the Dexter Horton National Bank of Seattle, and John P. Duke, cashier of the Security State Bank of Palouse, were elected to serve on the executive committee for three years, and Frank M. Kenney, cashier of the Olympia National Bank, was selected to serve on the same committee for two years.

At a meeting of the American Bankers' Association of the State of Washington, held immediately after the conclusion of the regular session, George P. Wiley, cashier of the Waterville Savings Bank, was elected as the American Bankers' Association's vice-president for the State of Washington. S. M. Jackson, manager of the Bank of California, Tacoma branch, was chosen to serve on the nominating committee of the national association.

Secretary W. H. Martin of the State association and J. H. Edwards, vice-president of the Dexter Horton Trust and Savings Bank of Seattle, were appointed as a committee to arrange details for the trip of the Washington delegates to the national association convention in Kansas City in September. D. H. Moss, vice-president of the First National Bank of Seattle, was elected State vice-president of the national bank section of the American

Bankers' Association. F. A. Rice of the Tacoma Savings Bank and Trust Company was made State vice-president of the trust company section.

—The Seattle National Bank has issued its semi-annual trade and crop bulletin. This bulletin is published in June and December every year in the interests of Washington, Oregon, Idaho and Montana. It contains comprehensive reviews of trade and crop conditions in the three states. William S. Peachy, cashier of the Seattle National, is the editor.

Spokane

—The Exchange National Bank of Spokane is advertising its corn show to be held November 20 to 25 by reproducing four golden ears of corn on its bank envelopes. At the close of business June 30 this bank had deposits of $7,056.867.57 and total resources of $9.306,704.98.

—June clearings for the Spokane banks totaled $19,959.704, a gain of twenty-five per cent. over those of June. 1915, when they amounted to $15.942.965. This brought the grand total of the clearings for the first six months of this year up to $110,924,184, compared with $91,152,400 for the first half of last year. an increase of more than twenty-one per cent. for that whole period.

—Bringing the total of quarterly and semi-annual dividends distributed since the first of this year among their stockholders up to $162,000. the State and national banks of Spokane, Wash., on July 1, paid out $61.000. The three savings and loan societies of the city in addition to this made a semi-annual three per cent. interest disbursement, amounting to $43.500 on their deposits, aggregating in the neighborhood of $1,450.000.

—On July 1 the Security Trust and Savings Bank of Los Angeles had total

resources of \$51,261,813.97. Commercial deposits were \$4,044,044.82 and savings deposits were \$43,372,134.12. The Security National Bank, under the same management, had total resources of \$4,117,465.90 and deposits of \$3,487,048.80. "A bank for every financial need" is an appropriate slogan for these institutions, whose various departments are equipped to perform every possible financial service.

—At the eighth annual convention of the Utah Bankers' Association recently held at Ogden the following officers were elected: President, Elias A. Smith, cashier Deseret Savings Bank, Salt Lake City; first vice-president, J. G. M. Barnes, vice-president Barnes Banking Company, Kaysville; second vice-president, Joseph R. Murdock, Bank of Heber City, Heber City; secretary-treasurer, J. E. Shepard, cashier Cache Valley Banking Company, Logan; executive committee for two years, W. H. Brereton, Provo; Charles H. Barton, Ogden; N. S. Nielsen, Mt. Pleasant.

CANADIAN

—At its fifty-sixth annual general meeting La Banque Nationale reported profits for the year ending April 29, 1916, after deducting for accrued interest on deposits and for bad and doubtful debts, of \$341,003.45. Of this sum \$160,000 was appropriated to trimestrial dividends, \$100,000 to reserve fund, \$50,000 to depreciation on securities and for contingencies, \$10,000 to pension fund, \$6,666.67 to war tax on circulation, \$7,500 to patriotic fund. A balance of \$54,843.25 was left to the credit of profit and loss. Deposits on April 29 were \$22,209,962.85, an increase of \$2,776,898.06. Total assets were \$29,737,975.87. The advantageous financial position of La Banque Nationale enabled it during the past year to subscribe \$1,000,000 to the Imperial loan for munitions of war to be manufactured in Canada; \$300,000 was also subscribed to the Canadian loan and \$200,000 to the French loan; also for munitions in Canada. Much gratification was expressed at the meeting over the very satisfactory showing made during the past year.

Counterfeit \$10 Federal Reserve Note

ON the Federal Reserve Bank of New York; series of 1914; check letter "A"; plate number 21; W. G. McAdoo, Secretary of the Treasury, and John Burke, Treasurer of the United States; portrait of Jackson.

This counterfeit is apparently printed from photomechanical plates of fair workmanship, on two pieces of paper, between which silk threads have been distributed. The bill is a trifle smaller than the genuine. The paper is too thick and stiff. The number of the specimen at hand is B6164041A, and the figures of this number are too large, too heavy, and too widely separated. The general appearance of the counterfeit is that of a blurred print.

Credit is due Receiving Teller William Weynich, of the Corn Exchange Harlem Bank, of New York, for the discovery of this counterfeit.

THE
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ELMER H. YOUNGMAN, Editor

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What the Banks Think of the Federal Reserve Act

AN investigation was made a short time since by the Guaranty Trust Company of New York to ascertain what the banks of the country thought of the Federal Reserve Act. The result of this investigation has been published already in these pages. It showed that out of 5,344 banks which replied to the inquiries sent out 1,760 were favorable and 1,811 unfavorable.

Of the 1,760 favorable replies, 1,229, or seventy per cent., were from member banks, and 531, or thirty per cent., from non-member banks.

Of the 1,773 unfavorable replies, 1,088, or sixty-one per cent., were from member banks, and 685, or thirty-nine per cent., from non-member banks.

Of the 1,811 replies that were non-committal, 392, or twenty-one per cent., were from member banks, while 1,419, or seventy-nine per cent., came from non-member institutions.

The greater number of those opposed rested their objections on the failure of the Federal Reserve Banks to pay interest on deposits—903 banks giving this as their reason for disliking the new system. But if one analyzes the objections under various headings—those which declare they have no dealings with their Federal Reserve Bank, few dealings with it, or that the system is of no value or of little value to country banks, it will be found that herein lies the chief reason for disapproval. But is this a convincing argument against the Federal Reserve System? The fact that the average bank, in these times, finds but little use, or even no use, for

the Federal Reserve Bank by no means proves that it may not find it most serviceable under different circumstances, and the very fact that the Reserve Banks are to some extent dormant now may fit them all the better for service when they are needed. A good many banks say that they find the rediscount privilege of little value; but how could it be expected to have any particular value under the conditions now existing? Should the member banks need to rediscount, their opinion of the usefulness of the Federal Reserve Banks might change.

The non-member banks—807 of them—bluntly state that they "see no advantage in joining." This is the most fatal objection to the Federal Reserve System—that some 20,000 banks see no advantage in becoming members of it. The membership of the national banks was involuntary; they must either come in or lose their charters as national banks. Whether the state institutions will modify their estimate of the value of the Federal Reserve System in the light of more experience and observation of its operations, remains to be seen.

NEW AMERICAN LOAN TO CHINA

LATE last month it was announced that a syndicate of American bankers stood ready to make a loan of $30,000,000 to China. It will be recalled that in the early days of the present Administration at Washington arrangements were substantially complete whereby the United States was to participate in what was generally styled the Six-Power loan to China, but the Wilson Administration objected to the scheme and it was dropped. The former objections seem now to have been overcome.

Probably, with the consummation of this loan, China will become a purchaser in the American market of materials for railways and public works. The military expenditures have been very large owing to political disturbances, but of late the situation has been quieter. Whether China has definitely entered upon a long period of peace which will be employed in constructive development, can not yet be predicted. Nor is it certain that there yet exists the

unity of purpose necessary to the upbuilding of the republic or its defence against foreign aggression. It has been said that the country never greatly concerned itself about the latter. Some Chinese statesmen have held that the development of the country was largely through local communities and that the rulers at Peking were of little concern to the masses of the people. Experience has also shown through long centuries that the foreign invader in China usually tired of his job. It is no easy matter for a foreign foe permanently to subdue a nation so populous and of such vast extent as China. The game is not worth the candle.

That China has been going to the dogs for some thousands of years, is a familiar saying; that the country has failed in the long lapse of time to reach that goal, would seem to warrant the conclusion that Chinese civilization and character have some elements of stability which the occidental mind has been slow in discerning.

BUSINESS AND EUROPE

UNDER this title the National Shawmut Bank of Boston discusses the effect of the European war on the future business situation in this country, and the certainties, the probabilities and the possibilities are thus separated:

"In a general way, one may say that the financial and industrial discussion divides itself into three separate considerations. There are some things, directly affecting American industry, which will certainly happen at the end of the war; among them a sudden and great decrease in the export of munitions of war, and a falling-off in the abnormal demand by the belligerent governments for such commodities as the metals and for various brands of manufacture. In so far as this demand arose directly from requirements of armies in the field, it is bound to change with peace. There is in the next place a group of things which will probably happen; among them a decrease in our general export trade to Europe, and an increasing difficulty in controlling for our own export trade such outside markets as those of Central and South America, South Africa and China, whose trade England and Germany have heretofore domi-

nated, but in which the European exporters have partly or completely lost their hold to our advantage during the war. Finally, there is the group of things which may happen but whose occurrence is a question of vigorous debate. Foremost among these is the question, whether or not our own American markets are to be invaded, after the war, by cheap merchandise manufactured in Europe, and sent to the one country in the world which provides a ready and profitable market."

It is pointed out that there is a tendency to exaggerate the importance of the export of war materials.

"If we take the export trade of the country as a whole, and if we accept the $500,000,000 estimate on export of war material since the European war began, we shall find that such shipments made up only one-fourth of the total increase in our export trade between July, 1914, and the present time, as compared with the corresponding period before the war. That increase was very nearly $2,000,000,000. In the earlier months of war, the abnormal European demand for our agricultural products explained much of the increase. But in the period which has elapsed since the middle of 1915, these exports decreased $87,000,000 from the preceding year; and meantime, the total export of such a commodity as cotton cloths, in the nine months following June, 1915, were $32,980,000 as compared with $22,302,000 in the same nine months two years ago."

As to the matters which will confront us after the war closes, it is said:

"But the questions are not new. All of them rest on considerations which have been made familiar in years of discussion regarding extension of our export trade. They appear at the present time, perhaps, in a more practicable form, because now the question more specifically affects the retaining of an increased export trade, rather than originally gaining it.

"The well-known problems which are raised by this discussion have to do, now as heretofore, with the adaptation of goods to the foreign markets—a mercantile achievement in which our exporters in many lines of trade have long been notoriously delinquent—and in the granting of long credits, according to the custom of these outlying markets but contrary to the traditional practice of our own."

After going very fully into the important elements affecting the situation, these conclusions are reached:

"When all the possible influences on the situation are reviewed, the American business man will probably rest his confidence in the future on the sound condition of the country's economic structure, the increase in its capital, and its great advance in international prestige, based on tangible achievement. But while this confidence is basically necessary there must be raised on top some intelligent attention to these specific problems.

"1. The development of our banking system to include not alone the broadening of our various credit systems but the education of our investors to a knowledge of the good and evil in international investment risks.

"2. The development of our mercantile marine so that our goods may be sold abroad without the extra toll to foreign shipping and the danger of combinations against us.

"3. The development of our educational system so as to encourage the study of commerce in a professional spirit and so as to train our men and boys that geography has finally come to be a necessity for a successful commercial career.

"4. The development of a form of national co-ordination which would ensure when needed the immediate use of all the commercial machinery of the United States. And this being made to include railroad systems, industrial plants and banking resources would prove the most effective detriment to the necessity of government ownership. Only by a complete inventory constantly revised can such a system be correct and available."

THE FRENCH LOAN

FOR the purpose of advancing $100,000,000 to the French Republic, the American Foreign Securities Company has been formed and has offered, through a banking syndicate, $94,500,000 of its three-year five per cent. gold notes for public subscription. To secure these notes the French Government has deposited with the American Foreign Securities Company collateral securities of the value of $118,449,000. These securities consist of obligations of the governments of Argentina, Sweden, Norway, Denmark, Switz-

erland, Holland, Uruguay, Egypt, Brazil, Spain, Province of Quebec, Suez Canal Company shares and of various American corporate issues.

These collaterals represent French holdings, and are pledged at the present time to further secure the obligations of the French Government.

The pledging of securities by a great and rich nation to obtain a foreign loan has about it the element of novelty, at least in recent times. It is a somewhat curious coincidence—and recalled now only as a matter of interest—that when in the panic of 1907 appeal was made to the Bank of France to help in tiding over the situation in New York that institution declined to make an advance except on obligations of the United States Treasury. Now the obligations of the French Treasury, it would seem, are not even sufficient security on which to obtain a loan here, but special collateral must be pledged. This indicates the striking financial reverses brought about by the war. Before that began, France was one of the great lending nations of the world. Of course, even now, her foreign investments are large, and the securities pledged for the loan mentioned constitute a part of these.

Great Britain, in order to sustain exchanges with the United States, has found it necessary, first to invite owners of American securities to exchange them for British bonds; and this failing, had to resort to coercion in the shape of an extra tax on income derived from American investments.

The fact that both France and Great Britain hold such large amounts of foreign investments demonstrates the immense financial strength of these countries and also the utility of investments of this character in a time of stress such as these nations are now encountering.

DECLINE IN THE NUMBER OF NATIONAL BANKS

FROM figures supplied, on request, by the Comptroller of the Currency it appears that from January 1, 1916, to June 30, 1916, there were issued sixty-two charters to National Banks. In the same time the number of national banks liquidating (not includ-

ing those consolidated with other national banks) was sixty. There were in this period five national banks placed in the hands of receivers, and two restored to solvency and reopened.

Thus the net result of the six months showed a diminution of one in the number of active national banks (not counting consolidations).

The remarkable fact about this is that there should have been an actual falling off in the number of national banks at a time when the business of these institutions, as shown by a recent compilation made by the Comptroller, has risen far beyond proportions ever reached before.

There are some other official figures which sustain the view that the number of national banks in operation is decreasing. The abstracts of reports of condition issued by the Comptroller show the following as the number of national banks in operation on the dates named: November 10, 1915, 7,617 banks; December 31, 1915, 7,607 banks; March 7, 1916, 7,586 banks; May 1, 1916, 7,578 banks.

Statistics are not at hand to show the number of state banks in operation on each of the dates named, though no doubt there has been a considerable increase between November 10, 1915, and May 1, 1916. As already stated, this does not mean that the national banks are doing less business, either in actual volume or proportionally as compared with the state banks. In fact, as the Comptroller's figures show, the contrary is true. But it is at least interesting to inquire what has been the cause in an actual falling off in the number of national banks during a time of very active business. At first sight, it would appear that diminished profits offer the true explanation. For some time money rates have been low and banking profits have declined. Yet it must be supposed that this influence would also affect the organization of state banks, and if they have increased in number while the number of national banks has grown less, some other explanation must be sought.

What has been the effect of the Federal Reserve Act? Has this caused banking capital to hesitate in entering the national system until the workings of the new measure were more clearly shown, and has it tended to hasten the determination of some banks to give up their national charters?

Whichever of the influences named has most strongly operated to reduce the number of national banks, it is hardly possible to determine with any degree of accuracy—both have had some effect no-

doubt. It is yet too early to predict that the numerical superiority of the state banks is destined to increase in the future more than in the past. Compulsory action on the part of the Federal Reserve Board may, on the contrary, have an opposite tendency by driving the state banks into the national system as a means of self-protection.

The banking systems of the country are undergoing some marked changes which may be profitably observed and studied.

THE LATE J. P. MORGAN'S WEALTH

NOW that a final official appraisement has been made of the estate of the late J. P. Morgan, a definite knowledge may be had not only of the late financier's total wealth but of the form in which that wealth was held. The gross estate was officially valued at $78,149,024, or some $25,000,000 below earlier estimates. Considering the vast power which Mr. Morgan wielded during his long and active life, and the identification of his firm with so many financial undertakings of great magnitude, it can not be said that the personal wealth he accumulated was inordinate in these days of fortune-building. Had he been the grasping money-maker that politicians sometimes represented him to be, doubtless his wealth might have been doubled. As a matter of fact there were other multimillionaires whose names were scarcely ever heard of whose fortunes were about equal to that of Mr. Morgan.

That the late J. Pierpont Morgan had other tastes and ambitions than those of a mere piler up of money conclusively appears from the fact that nearly one-third of his wealth was in the form of rare books, manuscripts, paintings, statuary, tapestry and miscellaneous art objects.

One of the curious phases of this official appraisal consists in the large amount of "securities" classed as worthless or of only nominal value. A par value of nearly $8,000,000 is ascribed to stocks and bonds of this character. This is more than one-tenth the final appraisal value put on the estate. Of course, before taking these items as an index of Mr. Morgan's financial judgment, one would have to know what he paid for them. But aside from that, their large total undoubtedly represents a view of the financial magnate's char-

acter of which the public were ignorant. That he ever expected the bulk of these "investments" to prove other than worthless appears improbable. In tracing the character of a good many of them one can easily discern a desire on Mr. Morgan's part to build up some locality in which he was particularly interested, or to oblige a friend, perhaps. Not a few of them represent that phase of his nature which always made him a bull on America.

In going carefully over the long list of Mr. Morgan's property, as set down by the official appraiser, one learns that while he was a shrewd judge of values, he was nevertheless nothing of a financial wizard. It may be said, on the whole, that in studying this list one gains a better idea of the real Mr. Morgan than could be obtained from the representations of his activities which appeared in the press during his lifetime. He was a great organizer and a most successful business man, but very human withal.

American Extravagance

From a speech in the United States Senate by Hon. Lawrence Y. Sherman of Illinois

I THINK we are the most extravagant of all the countries of the world, both in public and in private expenditures. We have to a very large degree squandered the birthright that has been given to us by a bountiful Providence. We have cut down our forests; we have robbed our soil; we have wasted our minerals; we have destroyed millions of dollars by fire until our fire bill is greater than that of any other country of the world. It is an absolute loss. But still we are headed in the same general extravagant direction, and the most unpopular thing in the world is to talk economy in either public or private life.

We take a just pride in our savings banks. Certainly in manufacturing centers they show a most commendable increase in deposits. The building and loan associations show an increase in the number of homes and roofs which they have been instrumental in placing over the heads of members of the family; but after all, when we consider that our wealth is the greatest of any civilized country; when we consider our expenditures, our standards of living and kind of living, we are squandering our precious inheritance at a rate that ought to bring up with a sharp turn everybody who thinks about it for a moment.

A Defect of the Federal Reserve Collection Plan

By GEORGE G. REQUARD of the First National Bank of Baltimore, Md.

MOST of the objections to the new collection plan of the Federal Reserve System come from the country banks and are based in the main part upon the loss of income derived from the exchange charges on checks received from their correspondents, which to them is in many cases a very considerable item. However, this source of revenue to them was generally a loss to the city banks and the latter are just as pleased at its abolishment as the former are displeased. But the city banks also have just and equitable grounds for complaint such as the diverting to the Federal Reserve Banks of the sums of money that they formerly carried as reserve in the reserve and central reserve cities, on which they formerly received a low rate of interest and on which they are to receive no interest at all in the future. And the reserve and central reserve city banks feel the loss of the deposits occasioned by this change. Other objections, in addition to the diverting of these reserve deposits are well known; but there is one matter which so far has received comparatively little notice and that is the fact that the present plan undertakes only the collection of checks and does not make any definite provision or promise as to when the collection of drafts, notes and other bills of exchange shall be included.

Under the new conditions the collection of these items not now included in the plan is going to become an increased burden to all the banks that handle them. In the larger banks the department devoted to this work has not come anywhere near paying for itself in most cases. The indications are strong that the expenses of this department, which may be called the Collection Department, are going to be greatly added to, and for these reasons.

The banks in the larger and in the middle class cities have heretofore forwarded the bulk of this sort of paper, and the country banks have forwarded practically all of it, to their various correspondents in the reserve and central reserve cities, where it is reassorted and distributed. The distant points are grouped and again forwarded to another correspondent in some distant city, where they are in turn distributed, the near-by points being sent direct and the more distant points again grouped and forwarded to another correspondent, and on until the final point of presentation is reached. Thus, some items pass through the hands of four or five or even more banks before presentation is finally made. All along the line this work is an expense without compensation, no use of the money represented being made until actual payment and the receipt of advice of credit from the various banks concerned. Thus the earning capacity of funds of this character does not begin until advice of payment is received by the forwarding bank, and as the great majority of drafts are returned unpaid, being intended merely as a means of dunning, it follows that the income derived from the use of funds obtained through this source is negligible. Therefore the expense incurred by handling such returned items is a dead one and is not appreciably offset by the use of funds obtained through the paid items.

In most cases the banks handling any number of these items have main-

tained a balance on hand with their correspondents to whom they send the bulk of their collection items, sufficient to make up for the loss incurred through the handling of them. This balance, kept on deposit in the reserve or central reserve cities, has at the same time been counted in as reserve and has in this manner performed a double function. Now, under the new plan, such funds must be transferred to the Federal Reserve Bank in order to be counted as reserve and thereby they lose their utility as a set-off for the loss occasioned by the operation of the collection department. It can hardly be expected that such balances will continue to be maintained for the sole purpose of making up for this expense when the reserve feature is removed and the collection of cash items is made through another source. Except for New York and one or two other cities, on which there is a public demand for exchange, there will be no reason to continue keeping any balance at all, and even in these two or three cities there will be a tendency to restrict the balance to the limit of immediate requirement. Neither can the intermediate collecting banks be expected to continue handling these items on the same terms when the old arrangement has been upset. It follows then that some other agreement must be reached between the inter-collecting bank, such as a flat charge of a reasonable amount for handling each item, paid or returned, or such other equitable arrangement as individual circumstances may justify.

The immediate consequence of the situation threatens to be a necessitated greater diversification in the routing of these collection items, both to avoid or minimize the charge of the inter-collecting banks and to secure more prompt actual returns. That, of course, increases the overhead expenses of the collection department, such as postage, etc., and if a very great number of the items be forwarded direct it will require additional help, since one clerk cannot properly take care of the same number of items forwarded direct as he did when they were forwarded in bulk. Also, this method is going to give the country bank its chance to make up in a measure for the loss it suffers through the abolishment of the exchange that it formerly charged on cash items. The country banker is going to find the temptation to overcharge the forwarding bank very strong, and as there are no relations of mutual advantage existing between the two, the remitting bank will in all probability charge heavily for its services. On the part of the country banker there will be a tendency to make this service pay not only its cost plus a reasonable profit, but plus an additional sum to make up for the old charge on cash items. The city banks, as usual, will pay the bill.

The problem works out the same from the other way around; that is, the country bank, which receives a smaller number of collection items from its own depositors, is going to forward more of them direct for the same reasons as the city banks. Most of the items are drawn on the larger cities and the country banker will find the city bank prone to charge him the actual cost of collection plus a reasonable profit and also plus an additional amount in retaliation for the higher charges of its own country correspondents. Thus with the tendency of the Federal Reserve plan continually working to lessen the mutually advantageous relations existing between individual banks and their correspondents, the tendency toward exorbitant charges on this class of business must steadily become more pronounced and it will go just as far as the public, the depositors, will stand for.

The natural result will apparently be a growing tendency for this business to go more and more to non-member banks who still have balances on deposit as reserve under state regulation as formerly. Their old arrangements with their correspondents are undisturbed and it will be undeniably advantageous to the forwarding banks to send their collection items to non-member correspondents whenever possible. Obviously, the non-member banks are going to obtain the greater part of this class of business and they may do pretty well

as they please in regard to it, since the competition from member banks will be feeble if any. To the bank handling a great number of collection items this situation presents another reason—though perhaps not a vital one—for staying out of the System.

It must be recognized that the Federal Reserve System is even now instrumental and in the future will be more largely so in increasing the number of collection items in circulation through its encouragement of the acceptance. While the growth of the acceptance in commercial usage has so far not been considerable nor as rapid as its merits justify, it has nevertheless come to stay and will in time develop to a greater extent. The acceptance, unless rediscounted with the Federal Reserve Bank, must be treated as an ordinary collection item and handled as such, subject to the increased expense as described above. Thus an anomalous state of affairs is created where the Federal Reserve not only imposes another burden upon the members of the system, but actually helps to throw business into the hands of non-member banks, a thing it was certainly never intended to do. In so far as the collection of bills of exchange other than checks affects the banker's business, the new plan not only increases the expense of the business that he already holds, but adds to the volume of business upon which that expense is incurred; which also is a thing that was not intended.

While it is understood that this defect is not a vital one, it must be recognized as an important one. Its importance is no doubt more apparent to the larger banks handling a considerable number of drafts, etc., than to the country bank. The remedy as embodied in a flat charge per item, though already adopted some time ago in some of the Western and Middle West cities, does not generally meet with the approval of the depositors of the great majority of the banks, especially in the East. It will be a difficult matter to inaugurate this method now, because the public know that the member banks are getting their checks collected almost free of charge and the public also know that sooner or later the Federal Reserve Banks are going to take up the collection of drafts, etc. Therefore the depositors realize that the condition is transitory and while in some cases they may be willing to pay for collection items, the general disposition will most probably be to let the banks themselves stand the loss until drafts and notes are also collected by the Federal Reserve Banks.

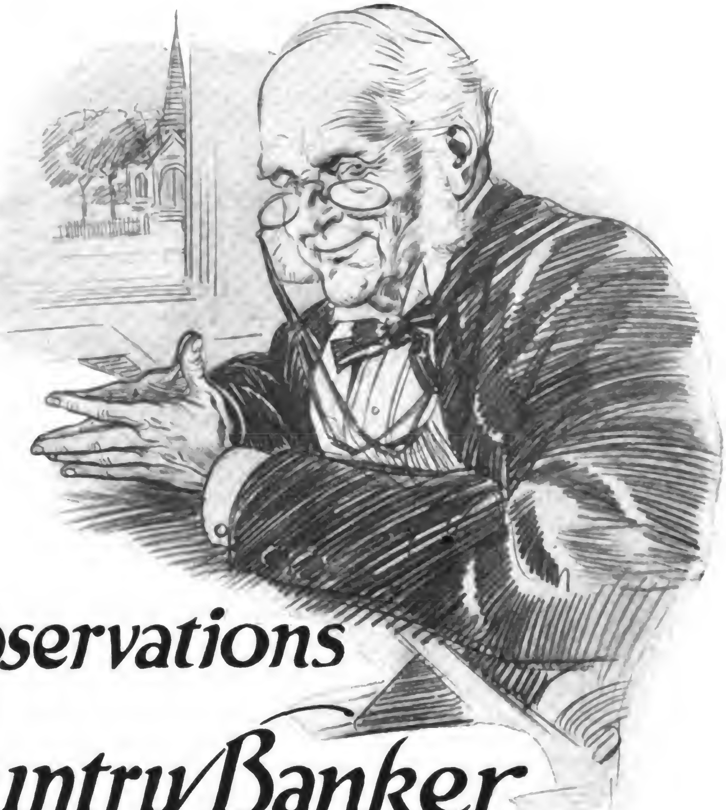
It therefore becomes of the greatest importance that the system should as speedily as possible arrange for the collection of these items, and it is to be sincerely hoped that the interval until they do so will not be so long as has been the case with the inauguration of the present plan. There is no good reason why it should, as we all realize, but it must be remembered that the wheels of govermentally controlled institutions move more slowly than those under private control. It must therefore become the self-imposed duty of the individual member banks to exert all the efforts that they can bring to bear to instigate a little more speed on the part of the gentlemen who control the operation of the Federal Reserve System.

$10 Counterfeit Reserve Note

ON the Federal Reserve Bank of Dallas, Tex.; check letter "C"; W. G. McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States; portrait of Jackson.

This note is from poorly executed etched plates on cheap paper, red and blue ink lines being used to imitate the silk fiber of the genuine. The bill is an eighth of an inch or more smaller than the genuine. The specimen at hand bears number K565775A.

It should be readily detected.



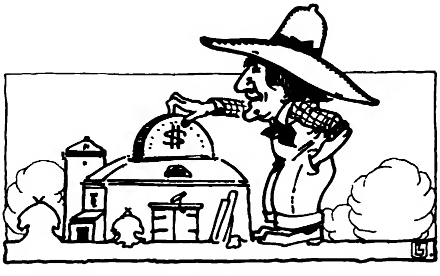
Observations of a Country Banker

By W. LIVINGSTON LARNED

PEOPLE who save because they feel they MUST never put aside as much as those who save because they think it's WISE to do so. Since Nero, slaves break away when they're not watched.

"I ALWAYS read the Bank Advertisements in our local paper," observed a farmer of West Marthasville, "th' same as I read th' stock reports, th' weather, th' buildin' notes an' th' Washington report. What a Bank has to say is NEWS—an' no man can get along without news."

ONE of the happiest men in our community has a peculiar rule when it comes to spending money for "Pleasure." This is the way he figures it out —"having a good time" is something "EXTRA," something "on the side." After all, the big stern realities of Life



BANKING THAT IS GOOD FOR THE DAIRY

take first place—the building of homes and of futures. Paying two dollars for a theatre ticket to see a minstrel show is good for the digestion: banking two

dollars towards a new cream separator is good for the Dairy. "When I want amusement of any sort," says this man, "I make myself EARN IT EXTRA. I go right out and look up a new way of getting the price of it without touching my regular income. In other words —I 'earn my pleasure' separate and distinct and keep it as a little 'personal account,' away from the rent and the salaries and the saving."

THIS old world is filled with several kinds of folks, including the man who isn't resourceful in the face of adversity. Thinking ahead—planning another route, when you strike a dead wall, seems to just naturally annoy some chaps. A mill owner I know had to close down his big place because

THEY WOULDN'T CUT THE NON-UNION LOGS

the war stepped in and made it difficult for him to do business. Half his markets were closed, marine supplies came to a halt, timber was hard to get and— on top of everything else—two hundred men struck because some sticks he bought were not union-cut.

He came around to see me, and his face was as long as a church steeple.

"Looks as if I'd go bankrupt, Uncle Henry," he groaned, "what am I goin' to do? If the bank'll let me have ten thousand, I'll remodel the plant and—"

"Nonsense," said I, "that wouldn't be practical."

"Then foreclose," said he, throwing up his hands.

"Think—think man," I went on, "can't you forget cutting up logs for a while—there are other schemes on th' top side of earth."

But he sat there and frowned and scowled and complained and twiddled his thumbs 'till I felt as if I'd like to bang him over the head with a ledger.

"How much floor space have you got out at the mill, including that big central building of yours"? I finally asked.

He figured it out for me on a piece of paper and it was even better than I expected.

"Why not store cotton," says I, "it's the time for watchful waiting just now. Prices are sure to go up . . . in the meanwhile you can tuck twenty thousand bales away, makin' th' price arrangement right and lending a dollar or so now and then with the capital you have left and what we'll advance. Your insurance is O. K. and the new policy can be fixed by Thursday of next week. As soon as the planters around this state know that they can get ready money and safe storage for their cotton, at reasonable percentage, they'll come —never fear."

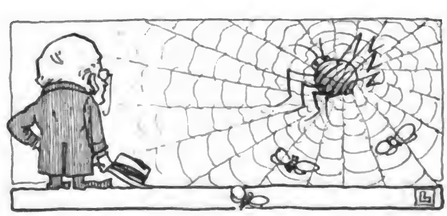
"My God!" says he, "I never thought of that!"

Inside of two weeks the dead plant was earning a handsome little income instead of piling up loss.

When the strikers get tired of doing without food over their fool grievance and ship building begins again, the real mill can start its wheels.

Oh! if men would only do a little deep thinking occasionally!

WE drove out along the Mellville road the other afternoon and it seemed good to watch how Nature and Man, collaborating, do things on the Banking System. The minute you leave



EVEN THE SPIDER SAVES FOR A RAINY DAY

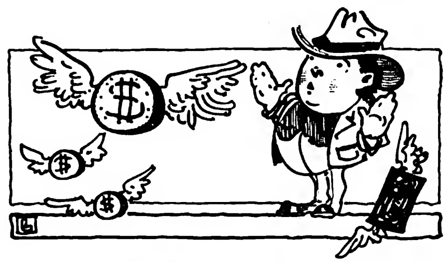
town behind, you learn how God's way of saving is expressed in little things. And a right beautiful sight it was, too, I can tell you. Spiders storing up flies and bugs for the "rainy day"; squirrels as busy as all get-out, makin' deposits in the hollow trees and Mother Earth, as far as the eye could reach, taking to her breast the dead leaves and the bits of rotted wood, and the decaying molecules of the long summer, so as to be ready for Spring's plenty, when it came. Saving—Saving! I saw it everywhere around me, illustrated in a thousand miraculous ways. The good Lord has perfected the most perfect banking system in the Universe.

AND while on the subject of that motor trip in the woods—the average farmer out in our country has grown to be a wise man in his generation. I didn't see any more ramshackle tumbled-down buildings. Neglect was absent. People are less improvident than they used to be. Here, too, on the fine farms, the spirit of Banking was illustrated. Ensilage was being deposited in the great, fine silos, to be drawn upon all through the winter; barns were being crowded with hay and oats; every

EVERY FARMER'S WIFE WAS MAKING JELLY

farmer's wife was making jelly and preserves and cider, and sweet pickling melon rine, and laying it away in cellars. A crowd of youngsters had filled barrels with big, juicy russets, and pretty soon, with saw-dust all around them, they went into the Farm "bank." Stone walls, where the rocks had fallen out, were being repaired, the barns were being patched and touched up with rain-proof paint—busy human ants were forever and ever "banking" for tomorrow—against want and wear and rust and hunger and all the rest of it. I never was so proud of my profession before.

A PHILOSOPHER friend of mine made this humorously significant remark: "They put eagles on dollars to



EASY FOR MONEY TO TAKE WING

emphasize how easy it is for money to take wing."

WE never appreciate how MUCH we can save until we do a little saving for a long time and then suddenly "count up."

I ALWAYS give a citizen the benefit of the doubt when he is referred to by his neighbors as "the stingiest man alive." There is a strong likelihood of his being just plain frugal.

NOTHING is more fallacious than to say that "spending money is fun." If the truth be known, a man's conscience suffers every time he squanders a dollar that he knows should be put to a better purpose.

STUDYING character, in a bank, is a profitable and interesting pastime. You can learn a great many things about people from the little you see of them

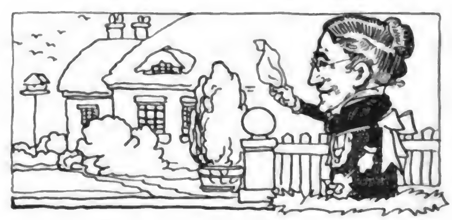
when they put in or draw out money. Many's the time I stand in the background and watch—watch as if it was some sort of a theatrical performance. There's the happy, confident, optimistic face of the man who brings his bank-book, bulging with small-sum checks, and a neat packet of bills. He can

HE BITES NICKELS TO TEST THEM

scarcely wait to put the earnings of the week away, where it'll be safe and earning its own way. There's no greed in the expression—it's just honest, rugged pride, shining in a pair of sincere, brown eyes. That man is a good provider at home—a good husband and good father. Success of some kind will come to him. It's all carefully written on his face. And then again, I see the unwelcome depositor—the shrewd, calculating, grasping fellow who is nervous from the moment he enters the door and who is continually looking over his shoulder, for fear that bag full of small coin and the kerchief full of bills will be stolen. He parts with the money reluctantly—it hurts him to give it up even for safety in the vaults. He takes a last, hungry look at it, as it goes over the glass counter. This man profits little by his saving. He makes a burden of it. Another name for the interpretation of "thrift" is "hoarding." He bites nickels to test their genuineness and short-changes himself when it comes to pleasure. Money will never make him happy—he is too afraid of its hiding-place. I once saw him give his little boy a quarter when the circus came to town—but he was frowning through his smile.

AN old curmudgeon said the other day, "You can't trust women folks with money—they're natural-born wasters of it." Humph! His mother made his father rich by keeping him from giving most of what he earned to the gin-mill and the card-table shark.

AND then there is the happy little woman—she of the snow-white hair and the patient smile, born of much faith and self-sacrifice. The pennies "come hard." She has pounded five hundred dollars from a sewing machine, with her tired feet. There is a small white cottage on Dover Place road to pay for—and then—and then—more frugality and that pretty twilight of life which is just what we make it—ourselves. I have a heart interest in the Dover Place bungalow—I knew how it was three-fourths paid for when "Billy" died, and of the brave struggle a brave woman made to keep it as a sort of shrine for twenty-eight years of sacred memory. Once a week, regularly, I hear the musically pleasant voice: "Good morning, Mr. Harper," and I know it's "My Little Lady of Dover Place." She reaches methodically into



THE LITTLE WHITE COTTAGE ON DOVER PLACE

a shiny black bag and brings forth her treasure book and the meagre savings. Mind you—it's all—ultimately for a certain flaxen-haired girl, off at school, who is to marry and settle down on the Road. Who said there was no sentiment in the Banking Business? Why, say—it's nearly all sentiment, and some of it is about the prettiest, finest sentiment man could ask.

DID you ever notice that along about Christmas time, when so many folks are wondering how they can afford the necessary gifts of the season, the

man or woman who shops with a check-book is all smiles?

FATHERS have it within their power to make a generation of better men—for saving improves the morals as well as the pocket-book. Daddy, stop giving the boy small change as if it was the cheapest and easiest-to-get thing in the world—stop flinging a dime here and a quarter there when the provocation isn't legitimate. A boy grows to believe that money isn't very valuable. He loses respect for it—he receives a sinfully wrong impression of how it's made and where and when—and often, at what sacrifice. Do not be "stingy" with your son, but make him understand that five cents is worth five cents and that every fractional per cent. of it was EARNED by honest toil.

A BANK is a clearing-house for trouble. Take your common silver and gold and copper there and see it come forth, distilled into sunshine.

The Banker Pays the Freight

[From a Debate in the United States Senate, July 19.]

MR. SHAFROTH. Mr. President, in the discussion the other day by the Senator from Kansas [Mr. Curtis], he made the assertion that—

There has been no threatened panic, no chance to test the efficiency of the new system, but we do know that it has cost the Government a large sum to establish, operate, and maintain the 12 reserve banks to date. The organization expenses amounted to $493,960; the cost of the note issue was $804,705; the furniture and equipment cost $284,600; salaries of officers and employees of the Federal Reserve Board to December 31, 1915, amounted to $108,650; the salaries paid to the bank examiners amounted to $396,000; and the current expenses of the 12 Federal Reserve banks amounted to $1,677,639. So you have a total expenditure from the date the banks opened for business to December 31, 1915, of $3,765,554, and the earnings of the banks were $2,130,610, or a cost to the Government to that date of $1,634,944.

Mr. President, no doubt the Senator believed that statement when he made it, but he forgot to look into the Federal Reserve Act, which has a clause in it in Section 10 which I wish to read:

The Federal Reserve Board shall have power to levy semi-annually upon the Federal Reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

Not one dollar of the expense of the Federal Reserve System is paid by the Government. Not one officer is paid by the United States Government.

MR. SMOOT. The bankers have to pay it.

MR. SHAFROTH. The bankers pay it, and it is proper that they should pay it.

Banking and Commercial Law

CASE COMMENT AND REVIEW

Capital Requirements For Banks in Changed Locations

IN the growth of cities due to extending territory and annexing of adjacent towns, it is a common occurrence to find a bank chartered with capital requirements as stipulated in the law for the place of its original operation, but by the annexing process becoming a city bank, and therefore operating with capital under the lawful amount for the place of its future operation. The question frequently arises, and has been before the courts from time to time, as to whether the bank must increase its capital, or does the original charter govern the capitalization. In the case of People vs. Adams State Bank in this issue this question arises.

The Adams State Bank was organized to operate under the Illinois Bank Act, and located in Morgan Park, a suburb of Chicago, with a capital requirement of $25,000. Before the bank began operations, Morgan Park was annexed to Chicago, and thus became part of the larger city. It was contended that the the charter constitutes a contract, and therefore if it could still operate as a suburban bank it would not be required to increase its capital to $200,000, as required for a city institution.

The case is exactly similar to that of First National Bank of Capitol Hill (Okla.) vs. Murray 212 Federal Reporter, and reviewed in a recent number of THE BANKERS MAGAZINE. The Oklahoma bank declined to comply with the Comptroller's orders to increase its capital, and suit was brought. The ruling in this case forms the basis for the present decision. The court in the Oklahoma case said:

"We do not think the Capitol Hill Bank acquired, through the action of the local authorities, immunity from those requirements of the Comptroller which could have been imposed had it first sought a certificate of authority to do business in Oklahoma City. It insists upon carrying its meager equipment, just acquired, into the larger and more important field of action solely because of a local occurrence foreign to the spirit and intent of the Federal statutes and in which no one charged with the administration of those statutes participated. If it should prevail in this, a way is pointed out by which interested persons, advised of impending changes of municipal limits, may evade the commands and prohibitions of Congress on a subject peculiarly within its exclusive jurisdiction. Had the bank sought authority at first to do business in the city on village conditions, it would certainly have been refused as contrary to law. It should not be indirectly secured in the way shown. Though the separate identity of the village has been by the action of the local authorities and for local governmental purposes merged in that of the city, the city is not, in the circumstances of this case, the same "place" as the village, within the meaning of the Federal statutes and the action of the Comptroller sought and obtained by the organizers of the bank."

Trust Company Win War Tax Suit

JUDGE CHARLES M. HOUGH in the United States District Court has recently directed the jury in the case of the Farmers' Loan & Trust Co. of New York against Internal Revenue Collector Anderson to return a verdict in fa-

vor of the trust company. This decides favorably the plea of the trust companies that the part of their capital, surplus and undivided profits which is not engaged in the banking business should not be subjected to the special war tax of October 22, 1914.

About $100,000 in taxes paid under protest is involved in the suits brought by ten companies, of which the first was recently decided. The government attorneys have announced their intention of appealing to the Circuit Court of Appeals. Counsel for the trust companies predicted that whatever decision is reached by the Appellate Court, the case will ultimately go to the United States Supreme Court. The remaining nine cases will probably be held in abeyance pending final decision upon the suit of the Farmers' Loan & Trust Co.

The case is important in that it bears upon numerous suits brought in all parts of the country by trust companies. The concerns which have brought action in New York, and the amounts they have paid under protest are as follows:

Farmers' Loan & Trust Co......	$ 4,809.34
Central Trust Co...............	13,654.00
Guaranty Trust Co.............	22,069.34
Title Guar. & Trust Co.........	11,004.67
United States Trust Co.........	10,728.67
Transatlantic Trust Co..........	706.67
U. S. Mortgage & Trust Co.....	4,171.34
Bankers Trust Co.	15,842.00
Lawyers' Title & Trust Co......	6,335.34
Empire Trust Co...............	2,065.34

E. H. Blanc, of Geller, Rolston & Horan, counsel for the Farmers' Loan & Trust Co., says that this case is similar in most respects to suits brought by the Farmers' Loan & Trust Co. and the Central Trust Company under the special war tax of 1898. The language of the statute is practically identical, and it was the undoubted purpose of Congress to enact a similar statute, said Mr. Blanc. The 1898 case was won by the trust companies before Judge Lacombe. The Government appealed, but the first decision was affirmed by the Circuit Court of Appeals. The companies recovered their money from the Treasury.

Judge Hough decided that the present statute means the same as the act of 1898. Both statutes require in order that the tax be due that the capital, surplus, and undivided profits shall be used in banking as defined in the statute; that when it appears that the trust companies maintained during the tax year a body of investments in real estate bonds and mortgages and other securities of the class of more or less permanent character, it cannot be said under the language of the statute and under the principles established by the decisions of the Circuit Court of Appeals here in the old cases, that the capital, surplus and undivided profits were used in the banking business.

Another point involved in the trial related to the legal sufficiency of the assessment. As it was shown that the Commissioner of Internal Revenue and the internal revenue collectors had no evidence before them counteracting the sworn returns of the trust company that its capital, surplus and undivided profits were not employed in the banking business as specified in the act, and the accompanying letters of the trust company, showing the existence during the tax year of such a body of investments as above referred to.

It was accordingly ruled that this situation overcome any prima facie presumption in favor of the assessment and cast the burden of proof in support of the assessment upon the collectors, which they were powerless to meet under the old decisions.

The special bank tax of 1914 provided for an assessment of $1 per $1,000 on capital, surplus and undivided profits engaged in the banking business.

Leading Cases

Capital Requirements

Illinois

Local and Special Laws—Banking Capital—Change of Location

Supreme Court of Illinois, February 16, 1916.—Rehearing Denied April 6, 1916.

PEOPLE'S VS. ADAMS STATE BANK.

A bank organized under State Bank Act, section 11, fixing the minimum amount of

capital stock of banks organized in cities, towns, and villages of certain specified population, and located in a village of less than 5,000 inhabitants, with a capital stock of $25,000, as required by the statute, after the annexation of the village to a city, the population of which would have required the bank to have a minimum capital stock of $200,000, had no right to change its place of business from the territory which had forferly comprised the village to a new place within the city.

In such case the bank, immediately upon the annexation of the village to the city, became a citizen of the city and equally amenable with all other citizens to the local laws and regulations.

In such case the guaranty of the state and federal Constitutions that the property of citizens shall not be taken without due process of law would not be violated by requiring the bank to conduct its business within the territory which comprised the village prior to its annexation to the city, as its place of business it knew that under the laws of the state it was possible that it might be annexed to some municipality.

(111 N. E. Rep.)

QUO warranto by the People of the State of Illinois against the Adams State Bank. Judgment of ouster, and the bank appeals. Affirmed.

STATEMENT OF FACT AND OPINION

COOKE, J.: An information in the nature of quo warranto was filed in the circuit court of Cook County by the Attorney General, on behalf of the People, against the Adams State Bank, a banking corporation organized under the laws of Illinois. The Attorney General demurred to the pleas of the bank. The court sustained the demurrer, found the bank guilty of usurpation and abuse of its franchise and charter, entered a judgment of ouster, and assessed a fine in the sum of $1. This appeal has been perfected from that judgment.

The information charges that prior to April 22, 1914, Morgan Park was a village in Cook county with a population of less than 5,000 inhabitants; that the Adams State Bank is a corporation organized October 30, 1913, under the State Bank Act; that its charter and articles of incorporation recite that the bank is located in Morgan Park and has a capital stock of $25,000, and that it is formed and organized for the purpose of doing a general banking business; that some time between October 30, 1913 (the date of its organization), and November 16, 1914, it began doing a general banking business at 3945 West Twenty-sixth Street, in the city of Chicago, a city of more than 50,000 inhabitants, and that for the two months then last past had carried on a general banking business at that place in the city of Chicago without warrant or authority and contrary to the statutes; and the information prays that it may be required to answer by what warrant it claims to use and enjoy such privileges. The bank replied by pleas questioning the constitutionality of section 11 of the State Bank Act. The pleas also allege the organization of the bank and the commencement of business by it prior to April 7, 1914, in Morgan avenue, in the village of Morgan Park; that said village was annexed to the city of Chicago by the voters of that city at an election held April 7, 1914, and by the voters of the village at an election held on the 21st day of April, 1914; that thereupon the bank became a resident of the city of Chicago; that on account of the imposition of additional obligations and duties upon the bank through the action of the people of the village in extending the boundary lines of the village and becoming merged in the city of Chicago it became necessary for the bank to remove its quarters, and on November 1, 1914, it removed its banking quarters from Morgan avenue to 3945 West Twenty-Sixth street, in the city of Chicago.

Two questions of law are presented for our determination; First, is section 11 of the State Bank Act unconstitutional? And, second, after the annexation of the village of Morgan Park to the city of Chicago, is appellant's place of business limited to the territory which had theretofore comprised the village?

The principal contention is that section 11 of the State Bank Act is unconstitutional, for the reason that it contravenes section 22 of article 4 of the Constitution, which prohibits the passage of local or special laws in the instances therein specified, and in support of this contention it is insisted that the classification contained in said section 11 is unjust and unreasonable. Appellant relies almost entirely upon Dupee vs. Swigert, 127 Ill. 494, 21 N. E. 622, in support of this contention. In that case the State Bank Act, as it was originally passed in 1887 (Laws 1887, p. 89), was under consideration. By section 11 of the act as originally passed it was provided that banks might be organized under the act in cities, villages, and incorporated towns of not to exceed 5,000 inhabitants with a capital stock of not less than $25,000, and in all cities, villages, and incorporated towns of not to exceed 10,000 inhabitants with a capital stock of not less than $50,000. No provision whatever was made for the amount of capital stock of banks to be organized in any city whose population exceeded 10,000 inhabitants. We held in that case that this classification was obnoxious to the constitutional prohibition against special legislation, and that it was purely arbitrary and had no foundation in reason or justice. Since that case was decided section 11 of the State Bank Act has been amended, and it now provides, in substance, that banks may be organized under the provisions of the act in all cities, towns, and villages with a minimum capital stock, according to population, as follows: In all cities, towns, and villages of not exceeding 5,000 inhabitants, $25,000; of over 5,000 and not less than 10,000 inhabitants, $50,000; of 10,000 and less than 50,000 inhabitants, $100,000; and of 50,000 inhabitants or more, $200,000. Hurd's Stat. 1913, p. 120. This amendment meets the objection raised and considered in Dupee vs. Swigert, supra.

One of the important matters to be considered by the Legislature in providing for the organization of banking corporations is the protection to be afforded those who deposit money with such institutions. Section 6 of article 11 of the Constitution provides that every stockholder in a banking corporation shall be liable to its creditors, over and above the amount of his stock, to an amount equal to such stock for all liabilities of the institution accruing while he remains a stockholder. This section of the Constitution is a self-executing provision. (Dupee vs. Swigert, supra.)

It will thus be seen that the extent of the protection afforded the depositors of a banking corporation is measured by the amount of the capital stock of the institution. It was a fair and natural assumption on the part of the Legislature that the larger the number of inhabitants in any city, town, or village, the larger would be the wealth of that community. In order to insure the depositors of banking corporations organized under the act relatively equal protection a classification in reference to population is a just and reasonable one, and the classification made by section 11 of the State Bank Act is not in conflict with section 22 or article 4 of the Constitution.

Upon the theory that the word "towns," as used in said section 11, refers to townships, it is contended that the act does not operate equally in all sections of the state, inasmuch as in counties not under township organization no capital stock whatever is required for a bank organized outside the corporate limits of a city or village. This assumes that a banking corporation may be organized under this act outside the incorporated limits of a city, town or village. It is not necessary to determine here whether that assumption is correct, as the word "towns" as used in the act, evidently refers to incorporated towns.

The principal question argued, and the one which is the real bone of contention between the parties, is whether appellant, after the annexation of the village of Morgan Park to the city of Chicago, had a right to change its place of business from the territory which had formerly comprised the village of Morgan Park to any place within the city of Chicago as it had existed prior to the annexation of the village. On both sides

it is contended that the charter of appellant constitutes a contract between it and the state, and appellant seeks to invoke the doctrine that this contract cannot be impaired without its consent under the Constitution of the United States and the Constitution of Illinois. We are called upon to do no more and no less than to construe the meaning of the statute under which appellant was organized, and thus to construe the meaning of its charter or contract with the state. It certainly would constitute no impairment of the contract existing between appellant and the state to announce its true construction, even though that construction should be contrary to the views held by appellant. Section 11 of the State Bank Act fixes the minimum amount of capital stock of banking corporations to be organized in cities, towns, and villages of certain specified population.

As has been pointed out, this classification is grounded upon a sound, just and reasonable basis. It was contemplated by the Legislature that in each city, village, and incorporated town in the state the amount of the capital stock of a banking corporation should be fixed at such a figure that the depositors would receive ample protection and those investing their money in the capital stock of the institution would at the same time have an opportunity to receive fair returns upon the investment. Under the provisions of the act it would have been impossible for appellant to organize to do business in the city of Chicago with a capital stock of less than $200,000, and as a general proposition it ought not to be permitted to do indirectly what the statute prohibits it from doing directly.

It is true, as appellant contends, that immediately upon the annexation of the village of Morgan Park to the city of Chicago it became a citizen of the city of Chicago and equally amenable with all other citizens of that municipality to the local laws and regulations. It does not necessarily follow from this fact that appellant thereby had the right to remove its place of business to any section of the city of Chicago that it might choose to select. On the organization of appellant, under its charter or contract with the state it was authorized to do business anywhere within the limits of the village of Morgan Park, and the territory within which it was authorized to locate its place of business was not necessarily changed or enlarged by the annexation of the village of Morgan Park to the city of Chicago.

This exact question was raised and determined in First Nat. Bank of Capitol Hill vs. Murray, 212 Fed. 140, in reference to the right of a national bank to change its location under similar circumstances. In that case the First National Bank of Capitol Hill, Okla., was chartered in 1909 to do business in the village of Capitol Hill, a suburb outside the corporate limits of Oklahoma City, with a capital stock of $25,000. The village of Capitol Hill had less than 3,000 inhabitants. Within a month after the bank had received its charter the village of Capitol Hill was annexed to Oklahoma City, which had a population of over 50,000. The bank thereupon applied to the Comptroller for permission to remove its location to the business section of Oklahoma City, which application was refused unless the bank increased its capital stock to at least $200,000. changed its name, and agreed to comply with the provisions of the law relating to reserves held by banks in reserve cities, of which Oklahoma City was one. The bank declined to comply with these conditions, but removed to the location it desired, and the Comptroller brought suit to forfeit the charter of the bank. The United States Circuit Court of Appeals, in affirming the judgment of the District Court in forfeiting the charter of the bank, gave the following summary of the United States statutes relating to the situation:

"The organization certificate of a national banking association must state the name adopted, which is subject to the approval of the Comptroller. It must also state the place where its operations of discount and deposit are to be carried on, and its usual business shall be tranacted at an office or banking house in the place so specified. The reserve

required to be maintained by a national bank in a nonreserve locality is fifteen per cent. of its deposits, while in a reserve city it is twenty-five per cent. Generally a national bank cannot be organized with a capital less than $100,000, nor in a city of more than 50,000 inhabitants with a capital less than $200,000; but with the approval of the Secretary of the Treasury it may, in a place of 3,000 inhabitants or less, have a capital of at least $25,000, and in a place of not exceeding 6,000 inhabitants a capital not less than $50,000. A national bank may change its name or the 'place' where its operations of discount and deposit are carried on to any other 'place' in the same state not more than thirty miles distant, with the approval of the Comptroller; but no such change shall be valid until the Comptroller has issued his certificate of approval."

In determining the question involved the court then said, inter alia:

"We do not think the Capitol Hill Bank acquired, through the action of the local authorities, immunity from those requirements of the Comptroller which could have been imposed had it first sought a certificate of authority to do business in Oklahoma City. It insists upon carrying its meager equipment just acquired into the larger and more important field of action solely because of a local occurrence foreign to the spirit and intent of the Federal statutes and in which no one charged with the administration of those statutes participated. If it should prevail in this, a way is pointed out by which interested persons, advised of impending changes of municipal limits, may evade the commands and prohibtions of Congress on a subject peculiarly within its exclusive jurisdiction. Had the bank sought authority at first to do business in the city on village conditions, it would certainly have been refused as contrary to law. It should not be indirectly secured in the way shown. Though the separate identity of the village has been by the action of the local authorities and for local governmental purposes merged in that of the city, the city is not, in the circumstances of this case, the same 'place' as the village, within the meaning of the Federal statutes and the action of the Comptroller sought and obtained by the organizers of the bank."

The same principle is involved here, and the reasoning and conclusion of that case meet with our approval.

There is no force in appellants' contention that the guaranty of the state and Federal Constitutions that the property of the citizen shall not be taken without due process of law would be violated in requiring it to conduct its business within the territory which comprised the village of Morgan Park prior to its annexation to the city of Chicago. When appellant selected the village of Morgan Park as the place within which it desired to transact its business, it did so knowing that under the laws of Illinois it was possible that the village of Morgan Park might be annexed to some other municipality, and, when the village was so annexed to the city of Chicago, appellant, together with every other institution and individual in the village of Morgan Park, was bound to adjust itself to the new order of things, to submit to the jurisdiction of that city and comply with its ordinances. The appellant violated the provisions of its charter when it removed its place of business from the territory which had comprised the village of Morgan Park to the city of Chicago.

The judgment of the Circuit Court is accordingly affirmed.

Judgment affirmed.

(111 N. E. Rep. 989.)

Forgery

PENNSYLVANIA

Functions of a Bank—Payment of Forged Paper—Notification to Bank—Due Diligence

Supreme Court of Pennsylvania, January 3, 1916.

MARKS VS. ANCHOR SAVINGS BANK.

On discovery of a forgery a bank depositor must promptly inform his bank thereof

or he will be precluded from recovering from the bank, and the bank need not prove that his delay resulted in material harm to it.

What constitutes due diligence in a depositor in giving notice to his bank of a forgery frequently depends on findings of fact, but when the facts are fixed the question is usually one of law for the court.

Where it appeared in an action against a bank for an amount paid on a forged indorsement of a depositor's name to a check that the depositor knew of the forgery at least 40 days before he notified the bank, Judgment was properly rendered for the bank non obstante veredicto.

(97 At. Rep. 399.)

ACTION of assumpsit by L. J. Marks against the Anchor Savings Bank to recover an amount paid on forged indorsement of a check. From a judgment for defendant non obstante veredicto after verdict for plaintiff for $3,243.80, plaintiff appeals. Affirmed.

STATEMENT OF FACT AND OPINION

MOSCHZISKER, J.: This action was instituted to recover the amount of a certified check which the plaintiff alleged was wrongfully paid by the defendant bank on a forged indorsement of his signature as payee. The verdict was for the plaintiff, but the court below entered judgment non obstante veredicto in favor of the defendant; hence this appeal.

On August 6, 1913, one Samuel Bleier, who at that time was indebted to the plaintiff, made a promissory note to the latter's order for $3,000, due four months after date. The plaintiff indorsed and returned the note to Bleier for the purpose of having it discounted, and he subsequently procured its discount by one Robert E. Price, who gave his check therefor, in the sum of $2,940, payable to the order of the plaintiff, and duly certified by the defendant bank.

Bleier took this check to the plaintiff and requested him to indorse it, which he refused to do; but on that occasion he saw the check was certified to his order, although he failed to observe the name of the drawer or drawee. The next day, August 7, 1913, the check, indorsed with what purported to be the plaintiffs' signature, was deposited by Bleier in the defendant bank to the credit of the Victor Banking Company, an institution of which he was then the cashier. Some time after the plaintiff had refused to indorse the check Bleier told him it had been returned to its maker and the note destroyed; but in the beginning of the following January, if not earlier, the plaintiff had definite knowledge the note was still in existence, and that its holder was insisting it had been properly discounted for value.

More than this, on or before January 2, 1914, the plaintiff knew who drew the check, and, further, that after the day when he had seen it, certified to his order as payee in Bleier's possession, that gentleman had become a defaulter. Notwithstanding his knowledge of all these facts, the plaintiff did not inquire of Mr. Price, its maker, concerning the check, nor did he take any other means of ascertaining its whereabouts or the name of the institution upon which it was drawn, either for his own protection or that of the certifying bank. Finally, however, on February 9, 1914, at a meeting of arbitrators, in a suit against the plaintiff to recover on the discounted note, the check in question, with the false and fraudulent indorsement thereon, was produced; but even then the plaintiff waited till February 12th before informing the defendant bank of the forgery, and it had no notice or suspicion that anything was wrong until that date. There was some proof that Bleier, who was not called as a witness, had absconded, but just when this occurred did not appear.

The defendant contended that the plaintiff had authorized Bleier to indorse the check and to receive the proceeds; but we assume this not to be true, for the present appeal must be determined alone on the evidence produced by the plaintiff, and the facts as we have given them are taken entirely from his side of

the case. It is established in law that the certification of a check transfers the funds represented thereby from the credit of the maker to that of the payee, and that, to all intents and purposes, the latter becomes a depositor of the drawee bank to the amount of the check, with the rights and duties of one in such a relation. (Girard Bank vs. Bank of Penn Township, 39 Pa. 92, 99; Central Guar. Tr. & Safe Dep. Co. vs. White, 206 Pa. 611.)

In several recent cases we have discussed the duty of a depositor when a forgery has been perpetrated in connection with a check to which he is a party.

In Myers vs. Southwestern Nat. Bk., 193 Pa. 1, where a confidential clerk committed the forgeries, we said that the depositor could have gained knowledge of the fraud had he examined his canceled checks and made proper comparisons, etc., and we held that, since he did not perform these duties, and thus ascertain the facts which he could have discovered and imparted to the bank, there could be no recovery.

In McNeely Co. vs. Bank of North America, 221 Pa. 588, 594, the present Chief Justice, after an exhaustive study of the whole subject, speaking for this court, held that, when a depositor fails promptly to notify his bank of a forgery, he must be regarded as having withheld from it a substantial right, without regard to what might or might not have resulted from a prompt exercise of that right; for it is sufficient to know that such delay on the part of a depositor might well prejudice the bank, and it is not necessary for the latter to prove that it, in fact, did work material harm. In Connors vs. Old Forge Discount & Dep. Bk., 245 Pa. 97, 101, a depositor sued his bank to recover the amount of a check paid on a forged indorsement of the payee's name. A nonsuit was entered because of a failure promptly to inform the defendant of the mispayment. It appeared that the depositor had substantial grounds for suspicion, and actually did suspect the fraud about June 23d or forty-two days before he sent word to the bank, but it did not appear that he was certain of the forgery until the fourth day before such notice. In sustaining the nonsuit we said:

"Notice was given August 5, or forty-two days after June 23, when the appellant must have known that the indorsement of the payee was forged. It is idle in him to now contend, as he does, that he did not then know that the forgery had been perpetrated."

Lesley vs. Ewing, 248 P. 135, is another instance where a depositor sued to recover the amount of a check paid on a forged indorsement of the payee's name. While all of the dates are not stated in the report of that case, yet an examination of the testimony shows them to have been as here given. It appears that the check there in question was issued February 7, 1907, to cover an investment by the depositor in a mortgage. In July, 1911, he received word that the mortgage was of doubtful validity, and positive knowledge of the fact that it was a forgery came to him prior to October, 1911. On October 10, 1911, he wrote the bank asking for his canceled checks, which were promptly sent to him. The depositor said he first knew that the check was a forgery on December 7, 1911. December 11, 1911, he notified the bank that he "was afraid the signature had been forged"; and the next day he definitely informed it of the forgery. In holding there could be no recovery we said that:

With the knowledge in October, 1911, "that the mortgage was a forgery, he must have known the check payable to the order of the mortgagor had been negotiated by some one without authority."

In Union Nat. Bk. vs. Franklin Nat. Bk., 249 Pa. 375, reviewing these cases, we said:

"The depositor was bound to give immediate notice of the bank of the forgery, and that the courts would not enter upon a speculative inquiry as to whether the bank could have bettered its condition if prompt notice had been given."

While, perhaps, in the last case the use of the word "prompt" might have been more suitable than "immediate,"

yet in McNeely Co. vs. Bank, supra, at page 594 of 221 Pa., at page 892 of 70 Atl. (20 L. R. A. [N. S.] 79), we said it was the duty of a depositor to send notice of a forgery to the bank "at once."

On the foregoing authorities it is clear that the plaintiff failed in his duty of due diligence toward the defendant. At least forty days before he notified the bank of the forgery he was aware that the note was in existence and that a fraud had been perpetrated upon him in connection therewith; yet, instead of following up this knowledge and taking advantage of the known sources of information at hand, which course would have disclosed the fact of the forgery and the name of the bank upon which the check was drawn, he saw fit to gain time for himself by filing an affidavit of defense, "on information and belief," in the suit which was then pending against him on the note, wherein he endeavored to explain away the probability of the check having been used.

If in making this defense the plaintiff depended for his information upon the previously mentioned conversation with Bleier, in which the latter is alleged to have informed him that the note had been destroyed and the check retired, he knew at the time of the affidavit that, as a matter of fact, the note had not been destroyed, and under the circumstances at bar he cannot now contend he was ignorant of the true facts concerning the check. On the contrary, it must be held that the plaintiff failed to exercise due diligence and was so negligent as to preclude him from asserting a lack of knowledge which he could have had for the asking. The appellant contends, however, that the question of the plaintiff's lack of diligence, or negligence, was an issue for the jury, and not for the court. What is due diligence in giving a notice ofttimes depends upon the findings of fact in the particular case, but, when the facts are fixed, that point is usually a matter of law for the court. (Haly vs. Brown, 5 Pa. 178; Nat. State Bank vs. Weil, 141 Pa. 457; Iron City Bk. vs. Ft. Pitt Nat. Bk., 159 Pa. 46; Myers vs. Southwestern Nat. Bk., 193 Pa. 1, 12; Connors vs. Old Forge Discount & Dep. Bk., 245 Pa. 97; Lesley vs. Ewing, supra, 248 Pa. 139.)

In short, this case, and the guiding principles which govern it, may be summarized thus: Under the circumstances at bar, as soon as the plaintiff became aware of the fact that a certified check was outstanding in his name, he was immediately fixed with the knowledge that he occupied a relation toward the certifying bank which, in law, gave him certain defined rights with corresponding obligations. At the time of the commission of the forgery, and for a long while thereafter, up to February 12, 1914, the defendant bank was not put on notice even of the probability of fraud, and, as a consequence, it did not have an opportunity to protect itself; whereas the plaintiff then, or early in January, 1914, at least had that notice consisting of the knowledge of facts which, by the exercise of due diligence, would have disclosed to him not only the forgery, but the identity of the drawee bank.

If, through carelessness and indifference to the rights of others, the plaintiff failed to inform himself from known and readily accessible sources of information, the case must be viewed as though he had the knowledge which the exercise of ordinary diligence would have disclosed to him; hence, not having made any proper effort to afford the certifying bank that fair opportunity of protecting itself to which, under the law, it was entitled, he, and not the defendant, must suffer the loss. Finally, the facts leading to this determination being undisputed, a jury could not be permitted to draw a contrary conclusion; therefore the court below was justified in entering judgment non obstante veredicto in favor of the defendant.

As said by our late Brother Elkin in Lesley vs. Ewing, supra, at page 139 of 248 Pa., at page 876 of 93 Atl.:

"It may be, as contended for appellants, that the rule of law held to be applicable to such cases in our own state is not in harmony with the rule adopted in some other jurisdictions."

But that the Pennsylvania law on this subject is not entirely out of harmony with other leading jurisdictions is made apparent by the following cases: Dana vs. Nat. Bk. of Republic, 132 Mass. 156; Gloucester Bk. vs. Salem Bk., 17 Mass. 33; Leather Manufacturers Bk. vs. Morgan, 117 U. S. 96.

The assignment of error is overruled, and the judgment is affirmed.

(97 At. Rep. 399.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

Joint Account—Survivor

PHILADELPHIA, July 26, 1916.

Editor Bankers Magazine:

SIR—Can a bank doing business in Pennsylvania receive a deposit account in the name of John Jones, John Smith and John Doe or either of them or the survivor of them, and in the event of the death of Jones and Smith pay the money over to the survivor, John Doe, upon demand by him, and yet be fully released and discharged from all payments made on account of such deposit? If so, can you cite me a decision?

CASHIER.

Answer.—The relationship established by a bank to its depositors in a joint or alternate deposit is a matter of contract, and the right of the bank to pay on the signature of either is a matter of agreement, and in the absence of an agreement or notice not to pay the bank is justified in paying to either party. If A and B deposit in an account running to "A or B," either may draw upon producing the pass-book. As a general rule, however, the right to draw is fixed at the time the account is opened. In some states this right is regulated by statute, which specifically authorizes such accounts, and protects the bank on making payment, where no notice is received by other parties not to pay.

The intent of the depositor is shown by the circumstances that attend the opening of the account and subsequent acts. The right of the survivor to draw depends either upon the creation of a trust or the making of a gift, and it is very largely a matter of evidence which is created. Where litigation over such funds ensues, it is generally sought to establish either a gift or trust, and unless the exact facts of the case known (which you do not give), it is impossible to determine the legal status of any particular case.

In the case of Hoboken Bank for Savings vs. Schwoon (62 N. J. Equity 503), the depositor signed a paper authorizing the bank to make the account in both names, "payable to either or the survivor," stating that they were copartners and that either might draw. The depositor delivered the book to a friend with instructions to give to Schwoon upon her death. It was held a complete declaration of trust.

The opening of a two-name account creates a joint tenancy, one of the incidents of which is survivorship, and where a joint tenant dies, the estate belongs to the survivor, and the heirs do not share in the estate.

This is the New York rule and so stipulated in the statute. In the case of Farrely vs. Emigrant Industrial Savings Bank (92 N. Y. App. Div. 529), the court said:

"Where the deposit is in joint names and the intent appears to create the joint tenancy, its effect is to vest title to the whole fund in the survivor, and under such circumstances, whether the book be delivered to the survivor or not, or whether he ever has had it in his possession during the lifetime of the joint owner, is not of great consequence, as the intent existing to create the relation of a joint tenancy, title vested in the survivor *eo instante* upon the death of of the joint owner, and no delivery of anything is necessary to effectuate such result."

If the quotation above from the opinion of the court presents a correct state-

ment of the law it must follow that, in New York, if a person deposits his money in the name of himself and some other person, in such terms that it appears to have been the depositor's intent to create an estate in joint tenancy, then upon the death of the depositor the fund passes to the person named as co-owner, although the depositor retained possession of the pass book during his lifetime. This is not in accord with the decisions in other states, nor is it in harmony with the general principles of the law of gift. Where a person opens such an account his apparent intent is to create a gift in favor of the person named as co-owner. It is elemental that there can be no gift without a delivery of the subject of the gift, or at least of the means of obtaining the property intended to be given. The depositor, in such a case, might withdraw the money after depositing it and thus revoke the gift. In other words, by this means he might make a gift revocable at will and which in any event would take effect only in the event of his death. This is violative of the statute of wills. (Brady Bank Deposits, p. 44.)

In New York a statute was passed in 1907 which provides that when a deposit is made in a savings bank in the name of the depositor and another, in form to be paid to either or the survivor, the deposit and any additions by either shall become the property of both as joint tenants, and may be paid to either during the lifetime of both, or to the survivor after the death of one, and the bank is released by such payment, except in case of a payment made after notice in writing not to pay. Similar provisions have been enacted in California and Michigan.

While the possibility of fixing a bank account so that two persons shall be joint owners during their mutual lifes, and the survivor take all upon the death of one, is well established, it is held in various decisions that the mere form of the account in such a case will not be regarded as sufficiently establishing the intent of the person making it to give the other a joint interest in the deposit. The test is whether the depositor intentionally created a condition embracing the essential characteristics of joint ownership and survivorship, irrespective of the formula used in doing it. In one decision it was written: "The question in this class of cases is whether it was the intention of the creator of the joint estate to give to his joint tenant the right of survivorship, or whether the title was so vested in him in trust for the creator. Where the creator stands in relation of parent towards the joint tenant, the usual presumption is that the arrangement and intention were that the parent was to have the sole use for his life, with the right of survivorship, and the child was to have the right of survivorship."

It is firmly established that the bank may pay to either party unless there is a different stipulation in the contract, and where a deposit is in such form that the survivor is entitled to draw, the bank is justified in paying; but if a notice is given by one of the parties or one representing the parties not to pay, it pays at its peril, but even if the bank pays in good faith without notice, the money may be recovered from the payee if good title can be shown thereto.

We find the following cases: Kelly vs. Beers, 194 N. Y. 49; Matter of Bolin, 136 N. Y. 177; Norway Nat. Bank vs. Merriam, 88 Me. 146; Whalen vs. Milholland, 89 Md. 199; Flanagan vs. Nash, 185 Pa. 41; Pope vs. Burlington Bank, 56 Vt. 584; Hallenbeck vs. Hallenbeck, 103 N. Y. 107; Augusta Sav. Bank vs. Fogg, 82 Me. 538. Other cases cited in Brady Bank Deposits, Part 2.

Partnership Funds

New York, Aug. 1, 1916.

Editor Bankers Magazine:

Sir—Will you kindly advise me at once in regard to the following:

"A" owed a note to a national bank in this state, which failed. At the time of the failure he had a deposit in the bank under a partnership called "B-A Ins. Agency." There is no dispute that it was a partnership account and that one-half of it belonged to "A" and the other half to "B." "B" owed the bank as well as "A," but is insolvent and could not pay his indebtedness.

Could "A's" half of the partnership account be applied on *his note* when he paid it in full? If not, could the receiver refuse to pay any dividends to "A" on his one-half of the partnership account until "B's" indebtedness was settled in full? CASHIER.

Answer.—It is a principle of law that partnership funds can be applied only for partnership debts. It is also a principle of law that a partner is liable for all the debts of the firm unless his partnership is a special one. On the first-mentioned principle it has been held that a bank cannot charge up to the account of a firm the individual notes of one of the partners (Coote vs. Bank, 3 Cranth C. C. 95); but a bank may apply a partner's account to the satisfaction of a debt of his firm. (Eyrich vs. Bank, 67 Miss. 60.)

A note given a bank for a loan, the money being used by the borrower to purchase an interest in a partnership, cannot be set off against the partnership deposit where the bank becomes insolvent. (Kroll vs. Union Trust Company, 133 Mich. 638.) On the other hand, it has been held in North Carolina that a bank cannot apply a partner's account to a firm's debt. (Adams vs. Bank, 113 N. C. 323.)

Where a partnership is indebted to a bank, and one of the partners has a deposit in the bank to his individual credit, the bank has the right to appropriate his funds on deposit in it, not only to the payment of his individual indebtedness, but to the payment of the partnership's indebtedness. (Owsley vs. the Bank of Cumberland, 23 Ky. Law Rep. 1726.)

Under the rule of partnership above stated, our judgment is that the account of the partnership cannot be applied to the individual debt of one of the partners, irrespective of the fact that as a partner he is presumably owner of one-half; nor can the application be made of one-half the entire fund, for, being a partnership account, it must be used for partnership purposes. The receiver's debt is to the partnership as a firm, and not to the individuals as individuals, and he cannot withhold the dividends due the firm as offsets to the debt due from one of the partners.

Politics and Prosperity

IT is a mistake to suppose that a presidential campaign always brings business unsettlement, says President William A. Law in the June trade letter of the First National Bank of Philadelphia. Politics had scarcely any influence upon business conditions in 1912. Genuine prosperity prevailed and a cheerful optimism continued into the autumn, notwithstanding the complications of a highly sensational presidential contest. In 1908 trade was active and nothing happened to sustain the tradition of an unsettled presidential year. The depression of 1896, when Mr. Bryan was first nominated for the presidency, came not alone from the free silver controversy, but as the natural sequence of poor railroad earnings and the receiverships following the panic of three years before.

The story of the last quarter century shows that a presidential campaign seldom brings depression except at times when trade is bad and the country is otherwise unsettled. This year railroad earnings are at record level, bank clearings at various centers are from twenty-five to fifty per cent. above twelve months ago, and the country's productive machinery is taxed to the limit. Furthermore, every man who wants work can find it at the highest wages ever paid for skilled and unskilled labor. And high wages in a presidential year mean more than they do at any other time. There is not the slightest ground for believing, therefore, that politics this year will become a factor of real disturbance to the business community. Not for twenty years has the gallery-playing politician been as unpopular as he is to-day. This is because the country's dinner-pail is not only full but overflowing.

"The Heart of America" Open to Welcome Bankers

Convention of the American Bankers' Association, Kansas City, Mo. September 25 to 30

KANSAS CITY IN MINIATURE

First in volume of Pullman Business.
Sixth in Bank Clearings.
Tenth in Post Office Receipts.
Seventh in Telegraph Receipts.
Tenth in Manufacturing.
Third as a Grain Market.
First as a Hay Market.
Third in Flour Milling.
Second as a Live Stock Market.

A GENUINE Western welcome awaits the thousands of bankers who will meet in Kansas City the last week in September for the great annual gathering of the bankers of the United States, the convention of the American Bankers Association. That the comfort, convenience and pleasure of every visitor will be well attended to is assured, for Kansas City knows by experience the art of successfully handling conventions. It is a convention city. This position has been attained by reason of a central location, large convention halls, excellent hotel accommodations, and through the energetic exertions of one of the livest body of business men to be found anywhere in the United States.

To those bankers who visit the city for the first time, its size and activity, the fine business section, the great railway, grain, lumber and cattle marts

ARMOUR-SWIFT BURLINGTON BRIDGE

RESIDENCE OF R. C. LONG, DIRECTOR IN THE SOUTHWEST NATIONAL BANK OF COMMERCE AND IN THE COMMERCE TRUST COMPANY, PRESIDENT, LONG-BALL LUMBER CO.

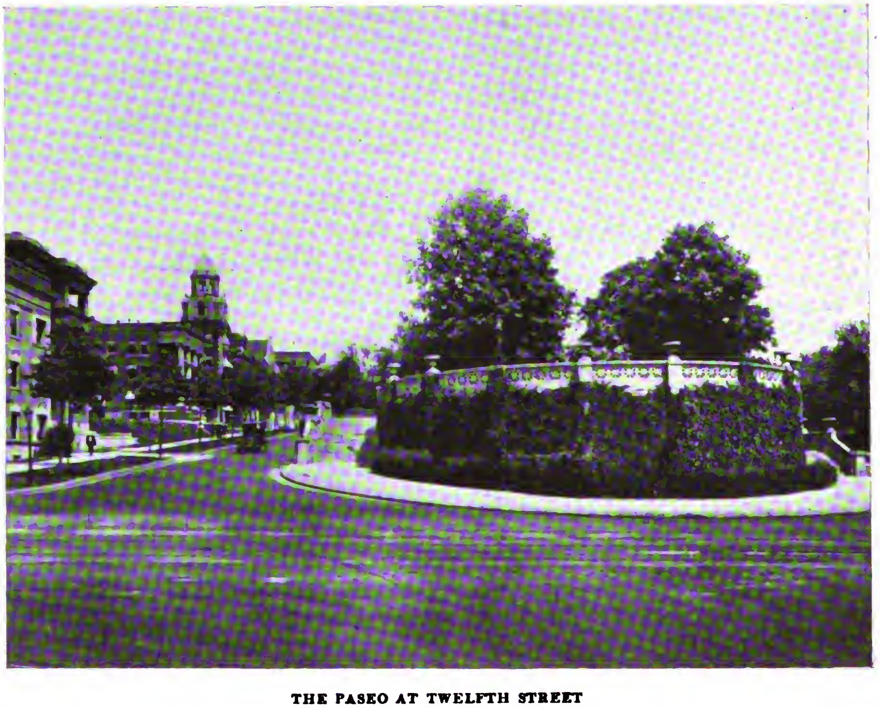
will all be objects to excite astonishment and enthusiasm; and even the bankers who are paying a return visit after the lapse of a few years will be agreeably surprised to note the wonderful march of improvement. The Kansas City of to-day has made remarkable progress beyond the point reached five or ten years ago. It has not only made large gains in business, in the number and character of its mercantile and manufacturing establishments, and in its public buildings, but has made even more rapid advancement in home-building and in the embellishment of the city, so that to-day many of its residence districts, the parks and boulevards, take rank with those of the most beautiful of American cities.

To begin with what they will see first, the bankers will arrive at the new $6,000,000 Union Station, where thirteen trunk lines and thirty-three subsidiary lines enter at this $50,000,000 terminal centre, which handles 260 passenger trains and over 2,000 cars of freight daily, making this the second largest railway point in the United States. They will find local transit lines especially well equipped, and will be conveyed to modern hotels equal if not superior to those found in other cities of corresponding size, and in all essential respects not excelled by those found anywhere.

The reasons for Kansas City's growth are not difficult to find. Around it is some of the richest country on this continent. The lower Missouri River Valley is unmatched for fertility. Then the city is at the gateway of the great West and Southwest, having with many sections a considerable trading advantage over Chicago and St. Louis because of lower transportation rates. And that spirit of adventure and enterprise which has built and developed the West has been responsible, in large degree, for the continued growth of Kansas City.

Kansas City and its immediate suburbs have a population of over 400,000, giving it the sixteenth rank among the cities of the country. Living conditions are unusually good. Taxation is mod-

VIEW OF PENN VALLEY PARK SHOWING SANTE FE TRAIL MARKER



THE PASEO AT TWELFTH STREET

BUTTRESSES ON CLIFF DRIVE

erate, rents are reasonable, and the cost of living lower than in most other large cities, this on account of the fact that Kansas City is itself such an important primary food market. Natural gas is furnished for domestic uses at twenty-seven cents per thousand cubic feet. In point of health the city ranks very near the top.

PARK SYSTEM AND OTHER CIVIC FEATURES

ONE of the pleasant experiences of the banker visitors will be the extensive and beautiful park and boulevard system, provided at a cost of nearly $15,000,000. There are six park districts, containing nineteen different parks, connected by an imposing boulevard system. Natural scenery has been preserved with rare taste and landscape gardening has been judiciously used in the creation of these numerous recreation centres.

The school system is extensive, most carefully organized and of great efficiency. In its public buildings, libraries, churches and hospitals Kansas City evidences a high degree of advancement.

AS A BANKING CENTRE

SITUATED in one of the most productive and rapidly growing sections of the country, Kansas City was bound to develop into an important banking centre. How remarkable this growth has been may be seen from the accompanying statement showing the Kansas City bank clearings for the years named:

1880	$50,730,000
1890	492,207,771
1900	775,264,813
1910	2,634,557,738
1914	3,015,810,567
1915	3,835,061,547

When a point came to be selected for the location of the Federal Reserve Bank, Kansas City was chosen on ac-

VIEW OF THE BUSINESS SECTION

CATTLE PENS OF THE KANSAS CITY STOCK YARDS

count of its central situation and the importance of the city as a banking and commercial centre. The Kansas City district is the second largest district in the country, and its growth in population and wealth is probably not exceeded by any of the districts.

It may be of interest to note that long before the present method of collecting checks was installed through the Federal Reserve Banks, Kansas City bankers had devised and put in practice a system of their own which embodied the best results of banking study and experience in dealing with this important problem.

The Kansas City Federal Reserve District covers an area of 537,649 square miles, with a population of over 7,300,000.

THE GENERAL CONVENTION PROGRAM

THE general program for the convention as discussed and arranged between the Kansas City Clearing House Committee and General Secretary Farnsworth, subject to the approval of the Administrative Committee of the American Bankers' Association, is as follows:

Monday, September 25:

Morning—Committee meeting.

Afternoon—Executive Council meeting.

Evening—Get-together smoker at the Auditorium.

During the day those who desire may visit the stock yards; automobiles will be furnished for that purpose.

Tuesday, September 26:

Morning, Afternoon and Evening—Section meetings.

Wednesday, September 27:

Morning—Section meetings.

Afternoon—At 12:30 o'clock, an automobile ride to Longview Farm, one of the finest farms in the West and especially noted for its fine Jersey cattle and its string of fine carriage and saddle horses and polo ponies, which are the property of Miss Long.

The afternoon will be given over to cattle show and display of the horses, a barbecue or luncheon, good music and amusements, country circus, etc., through the courtesy of Mr. R. C. Long.

Thursday, September 28:

Morning and Afternoon—First day's session of General Convention of the Association in the Auditorium.

Evening—Reception and ball in the Auditorium.

Friday, September 29:

Morning and Afternoon — Second day's session of General Convention in the Auditorium.

Evening—Concert.

Saturday, September 30:

Morning—Executive Council meeting.

Up to the date of publication the following speakers have been decided upon:

Frank A. Vanderlip, president National City Bank, New York, N. Y.

Joseph Chapman, vice-president Northwestern National Bank, Minneapolis, Minn., who will speak on co-operation.

Joseph Hirsch, vice-president Corpus Christi National Bank, Corpus Christi, Tex.

New York Clearing House Reduces Charges

IMPORTANT changes were made beginning August 1 in the rules of the New York Clearing House with regard to collection of checks outside of the city. This revision was made necessary by reason of the check collection system of the Federal Reserve banks. The amended rules became effective on August 1.

As heretofore, members of the New York Clearing House Association are required to adhere to a uniform schedule of rates in the matter of charging their customers for the service rendered. The new scale of rates, however, is considerably lower than those formally prevailing, and to that extent merchants having money on deposit with New York banks will reap the advantage of the check collection changes that have been brought about by the Federal Reserve Act.

The rates to be charged by the Clearing House banks are somewhat higher than the charge made by the reserve bank, but the higher rates is made for the reason that the Clearing House banks, in accepting a check on an out-of-town institution, give the depositor immediate credit, while the reserve bank does not give credit until the expiration of one, two or four days, as the case may be. This feature of the difference in the charges is of interest to out-of-town banks which have funds on deposit with New York banks. The difference between the reserve bank charge and the Clearing House bank rate is approximately at the rate of 4 per cent., figured in accordance with the time it takes to collect an item. The banks feel that they are entitled to interest on the money which they advance in this way.

Following are the principal portions of the amended rules as sent out to members of the Clearing House:

"Sec. 3. For all items (whether such items are collected through the Federal Reserve Bank of New York or otherwise) which the Federal Reserve Bank of New York shall have notified the manager of the New York Clearing House Association it will receive from its members the collecting banks shall charge as follows:

"(a) For all items available one day after receipt—pursuant to said notification—not less than one and one-half cents (1½c.) per item. (Except as to items referred to in Sec. 5.)

"(b) For all items available two days after receipt—pursuant to said notification—not less than one-fortieth of one per cent. (1/40 of 1%) of the amount of the items. (Except as to items referred to in Secs. 4 and 5.)

"(c) For all items available four days after receipt—pursuant to said notification—not less than one-twentieth of one per cent. (1/20 of 1%) of the amount of the items.

"(d) For all items available eight days after receipt—pursuant to said notification—not less than one-tenth of one per cent. (1/10 of 1%) of the amount of the items.

"Sec. 4. For all items payable in Jersey City and Hoboken, not collectible through the New York Clearing House, the collecting banks shall charge not less than one and one-half cents (1½c.) per item.

"Sec. 5. For all items payable only at any bank or trust company which, before August 1, 1916, has filed an agreement in writing with manager of the New York Clearing House Association, signed by one of its officers to remit in New York Clearing House funds at par on the day of receipts thereof or all cash items properly drawn on it, transmitted by the collection department, so that such remittances will be received at the clearing house in time to be cleared in the regular morning exchanges of the following day, the charge shall in all cases be discretionary with the collecting banks.

"Sec. 6. For all items from whomsoever received (except as to items referred to in sections 2, 3, 4 and 5), payable at points in: Connecticut, Delaware, District of Columbia, Indiana, Illinois, Kentucky, Maine, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Wisconsin, the collecting banks shall charge not less than one-tenth of 1 per cent. (1/10 of 1%) of the amount of the items.

"Sec. 7. For all items from whomsoever received (except as to items referred to in sections 2 and 3), payable at points in: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, Wyoming, the collecting banks shall charge not less than one-quarter of 1 per cent. (¼ of 1%) of the amount of the items."

The New Rural Credits Act

IN accordance with the provisions of the new Rural Credits Act a Farm Loan Board has been created to be composed of four members. The following have been appointed: Charles E. Lobdell, of Great Bend, Kan.; George W. Norris, of Philadelphia; W. S. A. Smith, of Sioux City, Iowa, and Herbert Quick, of Berkeley Springs, W. Va. Secretary of the Treasury William G. McAdoo is chairman ex-officio of the board. Mr. Norris has been appointed the executive head of the board by President Wilson.

Tentative plans have been made for hearings of the Farm Loan Board throughout the country with the purpose of collecting information with regard to dividing the United States into twelve land districts, and locating in each a Federal Land Bank. Forty different cities have thus far either applied for or been recommended for the location of one of the banks.

The provisions of the new act may be summarized as follows:

The new system has many points of resemblance to the Federal Reserve system, but in many essential features it is entirely different. In no way will the banks created under it do commercial banking.

The banks will not, except in special cases, loan direct to farmers, but through the agency of National Farm Loan Associations which may be organized to any number in a land bank district by any ten owners or prospective owners of farm land who desire to secure loans on farm property. Applications for charter for these associations must go to the Farm Loan Board and may be refused by it. No association will be chartered unless it is shown that signing members desire loans totaling at least $20,000. In applying for membership in an association a farmer must take five per cent. of the face value of the desired loan in stock of the association.

Applications for loans are to be passed upon by a loan committee of the farm loan association. Loans will be made on first mortgages or farm property and the value of the land will be the main consideration. The land will be subject to inspection by an appraiser of the Farm Loan Board. Loans will be made only for purchase of land, for its improvement or for purchase of livestock, equipment, fertilizers, or to provide buildings on a farm or to liquidate indebtedness, existing when the first association is formed in the county where land is located. No loan will be made of more than $10,000 nor less than $100. Interest will not be charged

greater than six per cent. The loan itself will be reduced through an amortization plan providing for reduction by annual or semi-annual payments on the principal. No mortgage shall run for more than forty years nor less than five, and there are the necessary provisions in the law for satisfaction of overdue interest or amortization payments.

The money to be loaned will come through the Federal land banks, passed to the hands of the national farm loan associations and to the farmer. The Act provides that when a Federal land bank has loaned $50,000 to farmers it may issue a corresponding amount of farm loan bonds, and that the total that may be issued by any one bank on a minimum capital of $750,000 is to be twenty times that capital. This would give each bank $15,000,000 and the whole system $180,000,000 to loan on first mortgages.

Farm loan bonds are to be made attractive by payment of not more than five per cent. interest and a provision that they shall be exempt from Federal or State or municipal taxation. They are made legal investments for trust funds. They are not to be obligations of the United States, but will have behind them the first mortgages on farm lands. These mortgages also are exempt from taxation.

In case local conditions do not favor organization of farm loan associations land banks may be authorized by the Farm Loan Board to make loans to farmers through agents it approves, such as banks, trust or mortgage companies, and the law permits establishment of joint land banks to lend directly to borrowers on first mortgages of farm lands. These banks will be under supervision of the Farm Loan Board, but will not be assisted by Federal land bank funds as will loan associations. The stock banks, however, which are to be capitalized at not less than $250,000 each, also may issue farm loan bonds, exempt from taxation and based on first mortgage securities, to the extent of fifteen times their capital stock. These banks are subject to the same provision of the law as loan associations, in respect to interest rates, amortization, etc.

In the beginning the Federal land banks will be governed by directors appointed by the Farm Loan Board, but after subscriptions from loan associations to any Federal land bank's capital stock reach $100,000, an elective system will become effective, with three directors chosen by the board and six by the loan associations. The board will approve compensation paid directors and officers of these banks. The loan associations will be directed by unpaid officers, except a secretary and treasurer, or secretary-treasurer.

Banks and loan associations will be subject to the customary examination by persons appointed by the Farm Loan Board, and the law provides penalties for infringements of its provisions or counterfeiting of farm loan bonds.

Book Review

PRINCIPLES OF MONEY AND BANKING. By Harold G. Moulton, Chicago: The University of Chicago Press (Price, $3.00 net).

IN this octavo volume of almost 500 pages there has been brought together a large amount of selected material relating to banking and money. This material is presented under appropriate headings with explanatory introductions. The selections embody a wide range of varying authority, enabling the student of money and banking to get the view of those whose information is limited and whose judgment is warped as well as of those having extensive information and sound judgment. The material has been brought up close to the present time and includes the provisions and operative features of the Federal Reserve Act.

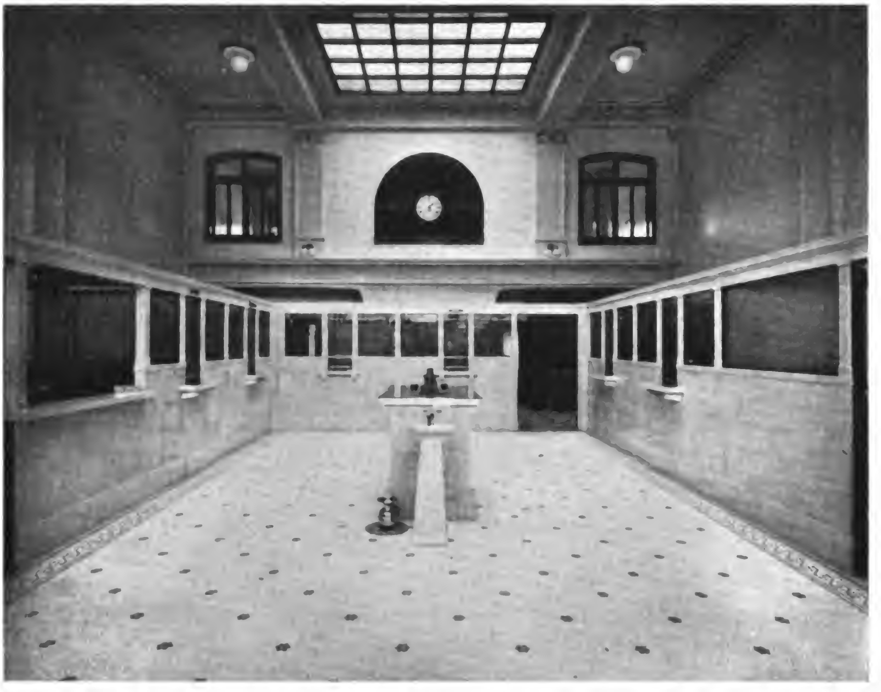
To one who wishes to study money and banking the materials here brought together are of very great value.

COMMERCIAL SAVINGS BANK, MARSHALL, MICHIGAN

Commercial Savings Bank, Marshall, Michigan

THE problem of first importance in constructing and equipping a modern bank home is one of increased efficiency in supplying the community with better banking accommodations. Modern vaults add to the safety of funds and larger, lighter and better furnished rooms make it more convenient and pleasant to transact business. That this policy of providing fully for local banking needs is rewarded by added profit is the general testimony of progressive banks. The experience of the Commercial Savings Bank of Marshall, Michigan, is a case in point. At the end of the first year in its new building business showed a most substantial rate of increase over previous years, and this gratifying result, which promises to become more pronounced as time goes on, has in the opinion of the bank's officers already shown the wisdom of the policy of providing adequately for the growing banking needs of this community.

As further evidencing the wisely-progressive character of the management, the capital was doubled about the time the new building was occupied. The increase was from $50,000 to $100,000, and so prudently had the bank been conducted that eighty per cent. of the new capital was provided by a stock dividend out of accumulated earnings. In addition to the sum thus provided for enlarging the capital as and when called for, the bank has always paid to stockholders dividends of



MAIN BANKING ROOM

BOARD ROOM

COMMERCIAL SAVINGS BANK, MARSHALL, MICHIGAN

CONSULTATION ROOM—COMMERCIAL SAVINGS BANK, MARSHALL, MICHIGAN

from twelve to fourteen per cent. a year.

A better idea of the change in the bank's position since going into the new building may be had from the accompanying comparative figures, the first column representing the condition a short while prior to making the change, and the second column the condition on a recent date:

Capital	$50,000	$100,000
Surplus and profits...	52,000	26,000
Deposits	741,593	796,784

Of course, the decrease in surplus and profits was caused by the stock dividend, which took eighty per cent. from that item and added it to the capital, besides the $10,000 of new capital stock sold to the younger local business men, making the total capitalization $100,000, and thus not only rendering it possible for the bank to meet the call for accommodations more fully than in the past but at the same time affording greater protection to its depositors.

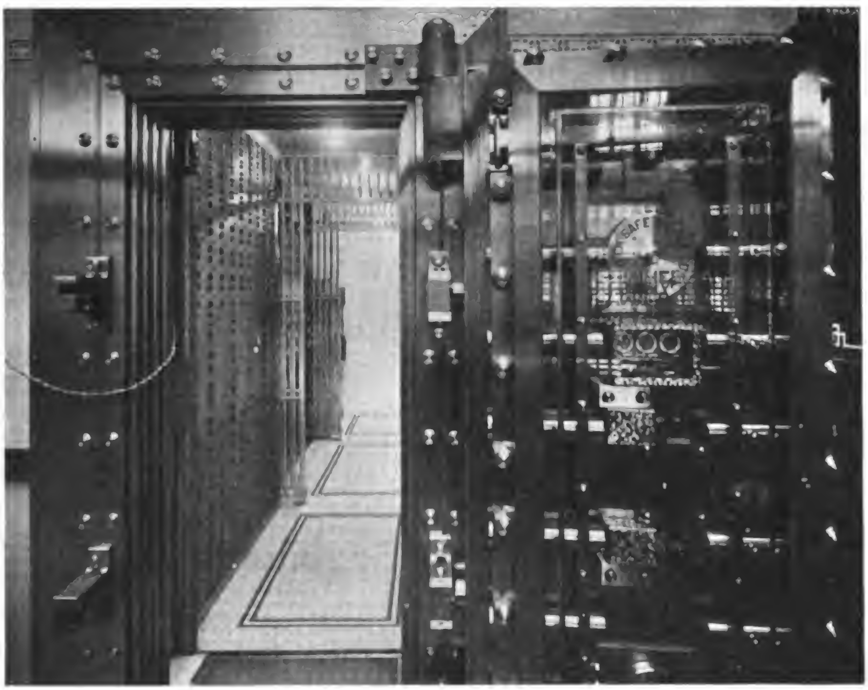
A further indication of the sound policy of the bank is the fact that while the new bank cost between $40,000 and $50,000, it is carried on the books at only $24,000.

HISTORICAL SKETCH

THE organization of the Commercial Savings Bank took place in May, 1892, the capital being $50,000, and the officers as follows: President, W. J. Dibble; vice-president, E. G. Brewer; cashier, W. T. Phelps. These gentlemen have remained in the positions named now nearly a quarter of a century, and are still in active service. Harold C. Albaugh is assistant cashier. The board of directors is thus composed: William J. Dibble, Edgar G. Brewer, Myron S. O'Keefe, Frank G. Seaman, Charles P. Cook, Charles L. Dibble, Winthrop T. Phelps and Manlius M. Perrett.

While some of the original directors have died since the bank was organized,

LADIES ROOM



THE VAULTS

COMMERCIAL SAVINGS BANK, MARSHALL. MICHIGAN

the official management has remained unchanged, and even the original stockholders are all still interested except where death has rendered a sale of stock necessary.

THE NEW BUILDING

AS to this most substantial witness of the bank's progress and prosperity, but little need be said, for the illustrations given herewith clearly show its solid and elegant character. It is in all respects a complete and appropriate modern bank home. Its main banking room is admirably constructed and arranged, and there are committee rooms, coupon rooms, and especially well furnished writing rooms for both the men and women depositors. The vault construction is modern, affording the highest degree of protection to money, securities and other valuables.

In all respects the new building reflects the care and wisdom with which the bank has been conducted, and is an evidence of the success achieved in meeting the banking requirements of the community.

The "First National" Corn Show

ON December 11-16 St. Paul will again be the scene of the "First National" Corn Show which will be held under the auspices of the First National Bank and the Northwestern Trust Company of St. Paul and bankers of the Northwest.

The Corn Show territory will remain the same as last year, and includes the following states, divided into districts as shown: Minnesota, six districts; Northwestern Wisconsin, two; North Dakota, six; South Dakota, six; Montana, six; Washington, three; Idaho, three; Oregon, two. One hundred and thirty-six Silver and "Goldyn Bronze" loving cups will be awarded as prizes. Competition will be divided into a men's and boys' class, and is confined to districts only, there being no competition between states or between districts.

Four prizes will be awarded in each district of each state, a first and second prize for men and a first and second prize for boys, trophies for the latter to be of like design and equal in value to those awarded the adult exhibitors.

Each exhibit must consist of ten ears of any variety of Indian Corn raised by contestant in a field of one or more acres, but not less than one acre. No fee will be charged for entry of exhibits.

A judge of recognized standing will make awards at the show and in so doing will judge exhibits by what he considers to be a recognized standard for any variety of corn raised in that particular district. Average size, productiveness, breed type and general appearance will be the governing factors. Exhibits will be returned in every case where contestants request that this be done at the time of making entry.

"Corn and Cattle Contribute Capital for Bigger Bank Balances" is the slogan that has been adopted by the First National Bank and the Northwestern Trust Company of St. Paul and bankers of the Northwest, in the promotion of their Corn Shows. Increased interest in corn production means the ultimate raising and maintenance of more livestock and diversification in farming methods, to the financial advantage and prosperity of the entire Northwest.

Pamphlets giving full details regarding the second annual "First National" Corn Show and form of entry blank, may be secured on application from bankers in the corn contest territory.

A NIGHT VIEW OF WALL STREET
(Bankers Trust Company Building illuminated)

New Bank Publicity Organization

MANY bankers who have noted the unusual advertising of the Bankers' Trust Company, New York, will be interested in the announcement that E. B. Wilson, manager of the advertising department, who has been responsible for this advertising during the past seven years, has decided to engage in business for himself, and by the time the September BANKERS' MAGAZINE is received by its readers, the new advertising agency of Edwin Bird Wilson, Inc., will be transacting business at 14 Wall Street, New York.

The Bankers' Trust Company will not lose the services of Mr. Wilson, however, because he will continue to direct both the general advertising of the company and the extensive national campaign in the interest of American Bankers Association Travelers' Cheques.

Mr. Wilson's decision to engage in business independently was arrived at after a careful survey of the field. From his vantage point in the office of the trust company he had direct communication with thousands of banks throughout the country in connection with "A. B. A." Cheque advertising, and after carefully canvassing the situation, he became convinced that there is a growing demand for good advertising services on the part of banks all over the country, and that while there are comparatively few banks which feel justified in maintaining an advertising department with a high salaried manager, there are a great many banks which would like to obtain expert services from an agency specializing in bank advertising, particularly a service which would relieve the officers of all concern and anxiety in respect to the advertising requirements of the bank, and yet could be obtained at a reasonable cost.

The new agency purposes supplying just such a service as the banks generally and individually feel the need of. If a bank desires exclusive individual service, distinctly different from that of every other bank in the country, Mr. Wilson's agency will be prepared to meet its requirements in detail. On the other hand, the agency will furnish services for banks desiring advertisements of a high quality but not restricted to their exclusive use.

E. B. WILSON

FOR THE PAST SEVEN YEARS CONNECTED WITH THE BANKERS TRUST CO. AS ADVERTISING MANAGER, WHO HAS ORGANIZED AN ADVERTISING AGENCY TO BE KNOWN AS EDWIN BIRD WILSON, INC.

The name and signature of E. B. Wilson are known to thousands of bankers on account of his managing the co-operative advertising done in connection with the A. B. A. Cheque system. In this capacity Mr. Wilson has advised bankers in regard to their local advertising of American Bankers' Association Cheques, and in many instances, when

asked to do so, has given advice in regard to the general advertising of correspondent banks. The frequency with which inquiries have come to him, showing a desire on the part of the bankers to advertise intelligently the services of their institution, has been a strong factor in bringing Mr. Wilson to a determination to open an agency.

To the editor of THE BANKERS MAGAZINE Mr. Wilson recently said: "There seems to be a great awakening on the part of bankers throughout the United States to the importance of judicious advertising. Even the small country banker is no longer content to use commonplace copy in his local newspaper, or to hand out cheap statements and folders to his customers. The small banker has been watching the high-class advertising which is being done by a number of large banking institutions, and is desirous of emulating their example.

"One of the most striking indications of the remarkable interest which is being taken by bankers throughout the country in the subject of advertising is the fact that large numbers of them are using space in the 'movie' theatres. The demand for lantern slides advertising 'A. B. A.' Cheques has been increasing every year since the first slide was offered to bankers selling the Cheques. These facts show the trend of the bankers' thought toward the methods of commercial advertising.

"Doubtless the formation of the Financial Advertisers Association, a departmental of the Associated Advertising Clubs of the World, has had an influence in the direction of greater interest on the part of banks. Also the work of such clubs as the Bankers Ad Association of Pittsburgh, the Ad Club of Cleveland, and the Bank Publicity Association of New York City have had much to do with stimulating interest in the subject of bank advertising.

"For a number of years I have been deeply interested in the great possibilities of community advertising for banking institutions, particularly for trust companies and savings banks, and it is very gratifying to see that the savings banks, through the Savings Bank Section of the American Bankers Association, have evolved a definite plan which is being put into effect in many towns and cities, for the united action of savings institutions in a campaign for thrift. Some day, no doubt—possibly soon—trust companies will see the almost obvious advantages of uniting in a common campaign to educate the public to the merits of trust company administration of estates, as against individual administration."

Comptroller's Report on Vacations

THE Comptroller of the Currency reports that responses of national banks to his inquiry as to the number of banks which do not give their employees a vacation each year, and the number of national bank employees who have had no vacation for the past five years, show the following results:

All national banks in the three central reserve cities of New York, Chicago and St. Louis report that their employees are regularly given a vacation each year.

The national banks in all the other reserve cities, with two exceptions, make a similar report.

Of the 7,212 national banks outside the reserve and central reserve cities, 6,484 report that they give their employees a regular yearly vacation, while 728 state that they do not give their employees a regular vacation.

National banks in the reserve and central reserve cities reported that there were only 10 of their employees who had had no vacation during the past five years, while the country banks reported that they had 901 employees who had been continuously at their desks, without vacation for five years or longer.

International Banking and Finance

Argentina Charges U. S. Trade Laxity

SERIOUS charges against the business honesty of United States exporters who have sought business in Latin-America have been lodged with the United States Consul General at Buenos Aires. The complaint consisted of a formal communication from the Industrial Union of Argentina, an association including the most prominent manufacturers, and alleged noncompliance by American manufacturers with the terms of business agreements ond contracts.

The protest states without qualification that after making all reasonable allowances for abnormal conditions in the United States the practices complained of cannot be considered other than breaches of business confidence and the plain word of contract.

The protest has been published by the Argentine newspapers, and has resulted in the creation of a serious, if not critical, situation in the development of trade between the United States and Argentina. Prominent merchants hitherto kindly disposed toward the United States have expressed a feeling of general criticism because of multiplying incidents of which they complain.

Officers of the National City Bank of New York have advised the branch bank management to assist the Consul General with its good offices in every way consistent with its obligations, and to render to the business organizations of Argentina assurance that the bank was using all of its influence to obtain among American business houses recognition of the importance of stretching every point in the direction of fulfilling even the implied obligations of business negotiations in the international trade.

The bank, through Vice-president W. S. Kies, made the following statement on the situation:

"The National City Bank has been called upon, within the past year, to mediate in many complaints and misunderstandings between customers in this country and customers in South America. There have been some instances where it seemed that the South American customer was not warranted in his complaint, either because he was looking for treatment exactly like that to which he had been accustomed, without being justified by definite agreement in thinking that the American exporters could make expensive changes in method, or because it was not plain that specified samples had not been followed in shipments. There have been some evident misunderstandings between both well-meaning sides to business disputes. But we are forced to say in justice to our Argentine customers that there has been enough evidence of laxity, even of direct neglect of business agreements, shown in the bank's experience, to warrant giving very respectful attention to the protest of this important organization of Argentine business men.

"It will certainly be an unpalatable development in American business if this country finds as a result of its experience in this campaign for foreign trade that America has deserved the reputation of not fulfilling its obligations scrupulously in dealing with foreign customers.

"The National City Bank went into an expensive system of extension of facilities for American banking in foreign countries, in response to a strong appeal from American business men that the services of American banks were needed to build up the country's trade. It has found reason for justifying its faith that American business interests will find good dependable, paying markets abroad and that foreign

merchants will deal honorably with us in trade relationships.

"In by far the largest part of the trade complaints coming to the bank's notice it has been a case of applying to foreign business laxities of method that are not tolerated among business men here on the excuse of reasonableness. We in this country do not think harshly of a man who goes after business so energetically that he gets more than he can handle and then expects customers whom he can't supply to make new arrangements. We do not insist that he shall fulfill every business engagement short of hard and fast contracts, even if at a loss. We are reasonable about cancellations by sellers and buyers both, because our business community has become accustomed to them, our facilities are such as to minimize inconvenience, and we overlook them. But foreign trade must be conducted on the plane of scrupulous fulfillment of obligations, with the foreign customer's situation always in mind.

"That some American business houses, if even only a few, have failed to carry out plain obligations on the ground of expedience has been evident. Such practice is of great injury to the United States and its relations of every kind abroad. There is no excuse that can be made for it, and it would be well if responsible associations of manufacturers, trade organizations, etc., could inaugurate some combined effort to reach the delinquents, whose practices injure the business interests of this country far out of proportion to their comparative number and importance in our business community."

Exporters in the United States are charged, among other things, with having shipped to South America goods much inferior to samples submitted, with having ignored plain specifications in order to work off unsalable stock, with raising the price of goods in transit and with failure to live up to their promises as to deliveries. The most general evil alleged is careless packing, causing great damage to goods en route.

Pan America Trade Grows

THE extent to which the European war has stimulated trade with Latin America has been shown in a statement issued by the Foreign Trade Department of the National City Bank of New York. According to the bank's compilation, the commerce of the United States with Latin America was more than $1,000,000,000 in the fiscal year ended June 30 last. The term "Latin America" as used in the statement includes the twenty American republics lying south of the United States—Cuba, Haiti, Santo Domingo, Mexico, the six republics of Central America, and the ten republics of South America.

The bank computed the fiscal year's commerce between the United States and Latin America to have a value of $1,150,000,000 compared with $766,000,000, under normal trade conditions in 1913. The present extraordinary trade was emphasized in the statement that, in 1906, commerce of this kind amounted to $503,000,000, while in 1900 its value was only $278,000,000.

Exports to the twenty republics in the fiscal year approximated $410,000,000, against $324,000,000 in 1913, $209,000,000 in 1906, and $111,000,000 in 1900. From this it appeared that American outward shipments practically had quadrupled since 1900. Imports from these countries were in 1916 about $750,000,000, against $442,000,000 in

1913, $294,000,000 in 1906, and $167,-000,000 in 1900.

The trade with Cuba, Argentina, and Brazil showed the most striking gains. From Cuba the imports of 1916 were approximately $225,000,000, compared with about $31,000,000 in 1900, while exports to the island in 1916 ran close to $128,000,000. American shipments to the island in 1900 were but $26,-000,000. From Argentina the imports of 1916 were approximately $100,000,-000, against $8,000,000 in 1900, while exports to that country in the fiscal year recently ended reached $65,000,000, against $11,000,000 in 1900.

From Brazil the imports of 1916 were $133,000,000, against $58,000,000 in 1900, and exports thereto $41,000,000, compared with $11,000,000 in 1900. Exports to Mexico in the fiscal year amounted to $50,000,000, or $16,000,-000 less than those of 1907. Mexican imports here in the fiscal year 1916 were set down at $100,000,000. In 1900 such imports had a value of $28,-000,000.

Italian Commercial Bank

THE annual report of the Banca Commerciale Italiana for the year 1915 has just been received from the London office at 1 Old Broad street. It necessarily deals quite largely with the abnormal situation arising from the war and with the means taken by the bank to adjust its affairs to these conditions.

Net profits of the bank for the past year were £388,295, out of which was paid to shareholders four per cent., to directors, seven per cent., and an extra dividend of two per cent., leaving a balance of £20,101 to be carried forward.

An important event of the last year's history of the bank was the retirement and subsequent death of Signor Otto Jael, general manager and managing director of the bank ever since its foundation. Fifteen of the bank's staff lost their lives in the military service of their country during the year.

The Italian Commercial Bank has its head office at Milan, with branches in the principal Italian cities and a branch in London under the management of Signor E. Consolo. Its fully-paid capital is £6,240,000 and reserve funds, £2,378,800. The total of its balance-sheet as of December 31, 1915, was £74,819,048.

The National Bank of South Africa, Limited

AT the ordinary general meeting of shareholders of the National Bank of South Africa, Limited, held in Pretoria, June 9, 1916, the directors submitted the balance-sheet for the year ending March 31.

After making full provision for bad and doubtful debts, and applying £173,-000 to write down the bank's investments to market value at March 31 (save in the case of the last British war loan, which is taken at cost), the net profits for the year are £221,576 5s 3d, inclusive of the balance of £30,585 8s 2d brought forward from March 31, 1915.

The directors recommend that the profit be apportioned as follows:

To dividend of six per cent. (of which the interim dividend paid for the six months ended September 30, 1915, absorbed £83,641 4s)	£167,282	8	0
To Pension fund	10,000	0	0
To balance to be carried forward.	44,293	17	3
	£221,576	5	3

The directors further recommended

that it be left to their discretion to award a bonus to the officers of the bank in recognition of the loyal and efficient services rendered by them.

The following new branches of the bank have been opened: Beaufort West, Brandvlei, Bredasdorp, Caledon, Kei Road, Modder River, Riebeek Kasteel, Villiersdorp (Cape Province); Camperdown (Natal); Delarey, Trichardts (Transvaal); Keetmanshoop, Luderitzbucht, Swakopmund and Windhuk (South West Protectorate).

An agency of the bank has also been opened at 6 Wall street, New York, under the management of R. E. Saunders.

The National Bank of South Africa, Limited, now includes the Bank of Africa, Limited, established in 1879; the National Bank of the Orange River Colony, Limited, established in 1877, and the Natal Bank, Limited, established in 1877. It is banker to the Union Government in the Transvaal, the Orange Free State, and Natal, and to the Imperial Government.

The head office is at Pretoria, and there are offices in London and New York, with numerous South African branches and agencies. Paid-up capital of the bank is £2,788,040, and with power to increase to £4,000,000. Total of the balance-sheet as of March 31 last was £32,471,298, compared with £28,956,753 March 31, 1915.

Opening of Russian-Dutch Bank

A RUSSIAN-DUTCH bank has been organized in Petrograd with a number of prominent Russian and Dutch capitalists on its board. The object of the bank is general banking, but it is also undertaking the placing of Russian Government loans in neutral countries, especially in the Netherlands, where there is an excellent field for such investments.

Banks and Industrial Enterprises

AT a recent meeting of the National Provincial Bank of England, Lord Inchcape said in part:

"I was surprised to see it suggested in the House of Commons not very long ago that the bankers of this country should be more adventurous, and that they should follow the example of the Deutsche Bank by financing and taking shares in industrial enterprises all over the world. I may say at once that I am entirely opposed to any such departure on the part of the banks. It would be a distinct betrayal of our trust if we were to invest the funds of our depositors in undertakings of an industrial or speculative character with a view to earning larger dividends for ourselves.

All our deposits are at call or at very short notice, and we should run grave risk of being unable to meet our engagements if we were to tie up our resources in the manner suggested. That kind of business, in my judgment, should be undertaken by individuals or by institutions which get their capital from their shareholders for the purpose, either by way of share capital or long-term debentures, not by banks, which have a very small capital in relation to their deposits, and which have a duty to their depositors. Just imagine what the result would be if we were to gamble with thirty or forty, or even five millions of our depositors' money As soon as it became known that we were embarking on ventures of this description, our deposits would vanish like snow before a southerly wind. If our constituents want to speculate let them do so on their own account and reap the advantage, or the reverse, for themselves. It would be highly improper for us to speculate with our depositors' money. I am safe to say that you will never find the National Provincial Bank embarking on any policy of the kind. It is not the custom of bankers in this country to finance a business up to the hilt. We want to know what means the man, the firm or the company is able and prepared to put into the business, and what the nature of the business is before we make an advance. Given a fair capital, men of good character doing a prudent business and keeping a decent account, we are always ready to help not only at our head office, but at all our branches, both in London and the country, provided our managers and we ourselves are satisfied that there is no rash speculation or over-trading. We like to see accounts operative. We discourage dead loans. These we say are for mortgages, not for banks."

Central Land Bank in Scotland

THE first step toward providing an adequate scheme of agricultural co-operative credit in Scotland has been taken by the Scottish Smallholders' Organization, Ltd., 1 Rutland Square, Edinburgh. The Scottish Central Land Bank, Ltd., was registered under the industrial and provident societies act of 1893 on July 3, 1914, and is the first national land bank started in Scotland. Its primary object as set out in its rules is "to carry on generally the business of banking and in particular to serve as a central bank for rural credit societies and co-operative trading societies," and thereby to assist in the development of agricultural co-operative credit and other forms of agricultural co-operation.

The question of increased credit fa-

cilities has been of special importance, in view of the operation of the small landholders' act. Having gained security of tenure, small holders were confronted with the problem of obtaining better credit facilities adapted to the special circumstances of agricultural enterprise. The principle on which the Central Land Bank works is that it accepts security from and gives loans to "communities of borrowers" banded together into local credit societies. No joint-stock bank in Scotland would do this without sufficient personal guaranties, which it is always difficult for small holders to get.

New American-Owned Bank for Peru

THERE has been incorporated under the law of the State of Connecticut a new bank known as the "Banco Mercantil Americano del Peru," and having for its purposes the development of trade in Peru and the promotion of trade between that country and the United States. Its authorized capital stock is 1,000,000 Peruvian pounds, and to commence operations it has a paid-up capital stock of 100,000 Peruvian pounds, which is owned by the Mercantile Bank of the Americas (Inc.) of New York. This bank is entirely American owned, and will have its principal office in Lima, Peru. One of the officials of the corporation is now in Lima making arrangements for the opening of its offices, which will be located in Calle Filipinas.

The Bank of Adelaide

IN all the circumstances, says the "British Australasian," the report of the Bank of Adelaide for the year ended March 27 last makes a very gratifying showing. The net profit is £49,806, or ₇83 more than for the preceding year. and the sum available for appropriation is £82,996. The dividend at the former rate of eight per cent. per annum absorbs £40,000, and a balance of £42,996 is carried forward, as against £33,190 brought into the accounts. Annexed is a comparison of the balance-sheet figures of the institution for the past three years:

	March 30, 1914.	March 29, 1915.	March 27, 1916.
	£	£	£
Capital	500,000	500.000	500.000
Reserve	490,000	510,000	510.000
Profit and loss balance	70.167	53.191	62,996
Notes in circulation	12,822	11,033	9.700
Bills in circulation	265.711	208,240	121.128
Balance due to other banks..	7,994	20.266	22.293
Deposits	4,834.739	3.486.027	3.459.742
Interest accrued, etc.	46.607	41.930	40.895
	6,228,040	4,830,657	4.726.754

$250,000,000 Loan to Great Britain

A SYNDICATE of American bankers have arranged a second big American loan to Great Britain whereby $250,000,000 will be supplied on two-year notes.

The notes are to bear interest at five per cent., and like those recently placed here by France are to be fully secured by collateral with a margin of twenty per cent. in value over the sum advanced. Unlike the French loan, however, the notes are to be a direct obligation of Great Britain. The notes are to be dated September 1 and will mature two years later, but at the option of the Government they may be redeemed in whole or part on thirty days' notice on any day before maturity at 101 and interest for the first year, or at 100½ and interest during the second year. Both interest and principal are payable in New York in United States gold coin, without deduction for any British taxes.

The syndicate underwriting the issue is considerably smaller than that which

brought out the recent offering of $100,000,000 of French notes, and it will be terminated October 1 or earlier. The bankers signing the syndicate letter are J. P. Morgan & Co., the First National Bank, the National City Bank, William A. Read & Co., Harris, Forbes & Co., Lee, Higginson & Co., Kidder, Peabody & Co., Brown Bros. & Co., Guaranty Trust Co., Bankers Trust Co., Farmers Loan & Trust Co., Central Trust Company of Illinois, Chicago, and Union Trust Company of Pittsburgh.

The notes will be secured by pledge with the Farmers Loan & Trust Co. of securities approved by J. P. Morgan & Co., with a value of at least $300,000,000, calculated on the basis of prevailing market prices. The deposited securities will consist of three groups of $100,000,000 each. The first will be made up of stocks, bonds and other securities of American corporations; the second of bonds or other obligations of Canada, either as maker or guarantor, and stocks, bonds and other securities of the Canadian Pacific Railway; and the third of bonds or other obligations of Argentina, Chile, Norway, Sweden, Switzerland, Denmark and Holland.

Bank of Haiti

THE National City Company, affiliated with the National City Bank of New York, has recently acquired all other American interests, and also certain foreign interests, in the Bank of Haiti, and the active direction of the bank will hereafter be from New York. The bank, which is the only bank in Haiti, and has nine branches over the island, was originally a French institution, with an authorized capital of 20,000,000 francs, of which one-quarter was paid-up. It was reorganized in 1910, when some American and German capital became interested.

It has done the banking business of the government, and owing to the revolutions, and the conflicting claims of rival authorities, its situation has been a trying one, but its relations with the government are now completely adjusted. The currency of Haiti has been in a sad state of disorder, but under the new arrangement the bank will proceed to take up all government paper in circulation, issuing instead its own notes, which will be kept at a fixed relation to United States money, five "gourdes" to the dollar. The effect of a stable currency will be to greatly encourage investments in the island and facilitate trade.

Bank Agencies in Brazil

THE Banco do Brazil has established an agency in Maceio, State of Alagoas, the first port south or Pernambuco, and one of the growing cities of this district. For collections, the agency charges will be one-tenth per cent., and no charge for drafts, checks, or telegraph transfers. For discounting bills the charge will be ten per cent. per annum. The bank in Pernambuco buys drafts against American banks, and it is possible that the agency in Maceio will make the same arrangement.

This bank has also established an agency in Parahyba, the first port north of Pernambuco.

London's View of America's Growing Financial Power

[From the London "Statist."]

THE United States have gained greatly in financial strength since 1914. But London need not, and does not, grudge that success. American and British ideals in this respect are similar; both nations believe in using their money power for the development of the newer countries, a development which can only increase the prosperity of the whole world. There is room in the field of international finance for the new world as well as the old. The association of

American capital with British experience and technical knowledge of European and Eastern conditions is one from which both parties will derive benefit. It is to the co-operation of these two factors, to the joint endeavors of the United States and of Great Britain, that the financial world will look when the reign of force is over and the hour for reconstruction arrives.

New Governor of Federal Reserve Board

CHARLES S. HAMLIN, first governor of the Federal Reserve Board, has taken oath of office for another term on that board. He succeeds himself, his first appointment by law being for but two years. The new term of office will be for ten years as all successors to the members of the board are to be for that long. Mr. Hamlin, however, resigns the position of governor, which is the chief executive office of the board, and W. P. G. Harding will take up that office.

Mr. Harding is from Alabama, and was appointed to the Federal Reserve Board for a term of eight years. Paul M. Warburg, of New York, who was appointed for a term of four years, was designated as vice-governor of the board, to replace F. A. Delano. Mr. Delano was appointed for six years, whereas A. C. Miller, of California, was given the ten year appointment on the original designation.

It is understood that the reason the president designated the new appointment of governor and vice-governor was in order to inaugurate the rotary system of office on the Federal Reserve Board, similar to the practice started by the Interstate Commerce Commission and the Federal Trade Commission.

In designating Mr. Harding and Mr. Warburg as governor and vice-governor, respectively, the president indicated that they were to hold those offices for a term of one year.

A Nation of Savers

ONE of the most hopeful signs is the progress of the thrift movement throughout the United States, says the First National Bank of San Diego, Cal., in a recent trade letter. The nation is wearing a pathway to the receiving teller's window. The "bank line" is getting longer as the "bread line" is getting shorter. Wage-earners are spending less and saving more. Even corporations and municipalities are practising a sort of economy which was never known before the hardships of the war period made the world appreciate the value of temperance, frugality and common-sense in every-day living. People are buying homes on the instalment plan, but paying cash for automobiles. When the whole world begins to practice thrift a fabulous sum is soon saved. In no other way can the property destroyed by the world-war be replaced. The United States is getting to be a nation of savers. The vicissitudes of the last two years have taught the American people to pension themselves by spending less than they earn. A million new savings accounts will probably be gained by the banks this year. There are more than twenty million savings depositors in the United States to-day.

The Complete Program for American Bankers' Convention

THE finishing touches to the arrangements for the American Bankers Association convention at Kansas City, Mo., the week of September 25, were given August 21 and 22 when General Secretary Fred. E. Farnsworth visited Kansas City for that purpose and conferred with the members of the Clearing House Committee, who comprise the Executive Committee for the convention, and with the chairmen of the various committees. These committees have been at work since early in the year. The general secretary found that most of the details were well in hand and rendered material assistance to the Clearing House Committee in disposing of all remaining problems. There is every evidence, therefore, that matters will be well handled by the Kansas City bankers. In this connection assurance has been given that while the convention is one of bankers, the good people of Kansas City and business men of all professions are co-operating to entertain the visitors with the warmest hospitality.

The general program has been completed, barring one or two uncertainties in regard to speakers. Committee and council meetings will be held Monday, section meetings Tuesday and Wednesday. The program of the general convention is as follows:

BUSINESS SESSIONS OF THE ASSOCIATION

Thursday and Friday, September 28 and 29, 1916

CONVENTION HALL

(Subject to change by vote of the Executive Council or by vote of the convention.)

Thursday, September 28, 1916

First Day's Sessions

CONVENTION HALL

Convention called to order at 9:30 a. m. sharp by the president, James K. Lynch.

Invocation.

Addresses of Welcome:
Hon. George H. Edwards, mayor of Kansas City, Mo.
J. W. Perry, president Kansas City Clearing House Association.

Response to Addresses of Welcome and Annual Address:
James K. Lynch, San Francisco, Cal., president of the association.

Annual Report of the General Secretary:
Fred. E. Farnsworth, New York City.

Annual Report of the Treasurer:
E. M. Wing, La Crosse, Wis.

Annual Report of the General Counsel:
Thomas B. Paton, New York City.

Annual Report of the Executive Council:
President James K. Lynch, chairman.

Annual Report of the Protective Department:
L. W. Gammon, manager, New York City.

Annual Report of the Department of Public Relations:
A. D. Welton, manager, New York City.

Annual Report of the Librarian:
Miss Marian R. Glenn, librarian, New York City.

Amendments to the Constitution.

Eleven-thirty O'clock

Address:
Hon. Frank A. Vanderlip, president The National City Bank of New York, New York City.

Communications.

Announcements.

Recess for Luncheon

Thursday, September 28, 1916

Afternoon Session

Two O'clock

Report of Trust Company Section.
Report of Savings Bank Section.
Report of Clearing House Section.
Report of American Institute of Banking Section.
Report of State Secretaries Section.
Report of National Bank Section.
Report of Currency Commission:
A. Barton Hepburn, chairman.
Report of Committee on Law:
Cornelius A. Pugsley, chairman.
Report of Committee on Federal Legislation:
C. A. Hinsch, chairman.

Three O'clock.

Address:
Joseph Chapman, vice-president Northwestern National Bank, Minneapolis, Minn., "Co-operation."

Communications.
Announcements.
Adjournment.

Friday, September 29, 1916

Second Day's Sessions

CONVENTION HALL

Convention called to order at 9:30 a. m. sharp by the president, James K. Lynch.
Invocation.
Address:
Joseph Hirsch, vice-president Corpus Christi National Bank, Corpus Christi, Tex., and member Agricultural Commission, American Bankers Association, "The Country Banker's Opportunity."
Report of the Agricultural Commission:
B. F. Harris, chairman, Champaign, Ill.

Eleven-thirty O'clock

Address:
Speaker to be announced.
Communications.
Announcements.

Recess for Luncheon

Friday, September 29, 1916

Afternoon Session

Two O'clock

Report of Insurance Committee:
Oliver J. Sands, Richmond, Va., chairman.
Committees and Committee on Membership.

Three O'clock

Address:
Speaker to be announced.
Invitations for Next Convention.
Unfinished Business.
Communications from Executive Council.
Resolutions.
Report of Committee on Nominations.
Action on Report.
Installation of Officers.
Communications.
Announcements.
Adjournment, *sine die*.

LOCAL PROGRAM

Entertainment

Monday, September 25

Automobiles will be furnished for the accommodation of those desiring to visit the stock yards, where a luncheon will be served at noon.
Evening—Convention Hall, informal reception and dance.

Tuesday, September 26

Automobile rides for the ladies only, with visits to the country clubs.

Wednesday, September 27

Golf Tournament.
Entertainment at Longview Farm, for all bankers, ladies and guests of the convention. Automobiles will leave the headquarters hotels, beginning at 11 a. m., returning late in the afternoon.
Longview Farm is one of the finest stock farms in the United States. Fine cattle will be exhibited and horses will be shown on the half-mile track, with an exhibition of the finest saddle and coach horses in the country, by the courtesy of Mr. R. A. Long and Miss Lola Long. Luncheon will be served at the farm and the afternoon spent there.
Evening at Convention Hall—Thrift campaign entertainment under the auspices of the Savings Bank Section, American Bankers Association, consisting of a photo play, "The Trail of a Dollar," at 8:30 p. m.

Thursday September 28

Evening—Convention Hall, Reception and Ball, 9:00 p. m.

Friday, September 29

Automobile Rides for the Ladies.
It is expected that several of the private residences of Kansas City will be thrown open to afternoon tea for the ladies on one of the afternoons during the week.

TENTATIVE BUSINESS PROGRAM

Monday, September 25

Morning:
Committee Meetings.
Meeting to Organize State Bank Section.
Afternoon:
Executive Council Meeting.

Tuesday, September 26

Morning:
Clearing House Section, Business Session.
Savings Bank Section, Thrift Campaign Celebration.
State Secretaries Section, Business Session.
Afternoon:
Clearing House Section, Addresses and Discussions.
Savings Bank Section, Business Session.
State Secretaries Section, Business Session.
Trust Company Section, Business Session.
Evening:
National Bank Section, Addresses and Discussions.

Wednesday, September 27

Morning:
National Bank Section, Business Session.
Meeting of Country Bankers.

Thursday, September 28

Morning:
General Convention.
Afternoon:
General Convention.

Friday, September 29

Morning:
General Convention.

Afternoon:
General Convention.

Saturday, September 30

Morning:
Executive Council Meeting.

President S. J. Whitmore of the Muehlbach Hotel has arranged for his banker guests and bankers generally attending the convention a unique feature for convention week—a Bankers' Dinner Dance, to be held in the Colonial Ball Room of the hotel on Monday evening, September 25, at 7 o'clock.

Wisconsin Bankers Pass Resolutions

AT a meeting of the Wisconsin State Bankers Association, held August 9, resolutions were passed endorsing Andrew J. Frame as a candidate for vice-president of the American Bankers Association and opposing a bill now before Congress which it is thought will tend to further branch banking in the United States. The two resolutions follow:

ANDREW J. FRAME FOR VICE-PRESIDENT OF THE A. B. A.

Whereas, the name of Andrew J. Frame has received remarkable endorsements from eminent sources from the Atlantic to the Pacific, recommending his election as vice-president at the coming convention of the American Bankers' Association at Kansas City; and,

Whereas, through his many addresses before national and state bankers' associations, bankers' clubs, academies of political and social science affiliated with great universities, business men's clubs, etc.; he also has been called before Congressional committees at Washington as a recognized authority on banking and political economy; all of which have been tempered with such sound reasonings that their influence for good has been so widespread as to materially influence Congressional legislation upon sound lines.

Further, as he was an influential member of the committee which drafted the present Wisconsin State Bank Act, and which has now been in force for some twelve years, and no state bank has failed wherein any depositor lost a dollar; and,

Whereas, he was instrumental in bringing about the redrafting of the much improved Constitution of the American Bankers' Association, and has attended thirty-six out of forty conventions held; and,

Whereas, he has always championed the cause of the independent banking system, as against the monopolistic Canadian or European branch banking systems, and now the very lives of the independent banks are at stake, through the threat of branch banking, free collection of checks and other burdensome demands upon country banks especially, which constitute more than ninety-five per cent. of all the banks of the country; therefore, be it

Resolved, that the members of the Wisconsin Bankers' Association unqualifiedly endorse his candidacy for the vice-presidency of the American Bankers' Association at the Kansas City convention.

Resolved (as Mr. Frame is 72 years of age), that we now enter our earnest plea to the end that the independent banks of the country, whose rights he has always defended, join in not only honoring him, but in honoring the association. The younger men can bide their time.

AGAINST BRANCH BANKING

Whereas, Bill No. 15734 in the House of Representatives at Washington, if passed, permits an entering wedge as a branch banking measure, which, doubtless, soon would blossom into a general branch banking bill and thus Canadianize and monopolize the banking business of the United States; and,

Whereas, some fifteen years ago a few big city bankers attempted to commit the American Bankers' Association to a domestic branch banking scheme, which utterly failed; and,

Whereas, instead of its democratizing the banking business, the bill would tend toward substituting 100 or 200 great central banks with 25,000 to 30,000 tails to their big kites, thus destroying our independent banking system, which has done wonders in upbuilding this nation; therefore, be it

Resolved, that the Wisconsin Bankers' Association, in session assembled, respectfully enter a solemn protest against the passage of this bill or authorizing any domestic

branch banking scheme, as it is clearly undemocratic, un-American and monopolistic in its whole tendencies.

Resolved, that a copy hereof be mailed by our secretary to each of our members of Congress; also the chairman of the Senate and Finance Committees of both houses of Congress.

Comparative Growth of National and State Banks

Extract from Address of HON. CHAS. S. HAMLIN, President Federal Reserve Board, Before Georgia Bankers' Association, Macon, Ga.

WE have heard a great deal about the national banking system, and I sometimes hear it said that it is a sort of decadent system, that it is not flourishing. My friends, if you will look at the facts, I can quickly disabuse you of that idea. Of course, in some territories of the United States the state banks outnumber the national banks three to five or ten to one, but, where you take the whole United States as a unit, I want you to strongly consider these facts. During the last year ending March 7 of this year, the national banks increased in capital only about $700,000.00—they about held their own with a very trifling increase. They fell off in number only thirteen, but practically all of those thirteen, or most of them, were caused by consolidations. So, if you omit the consolidations, the national bank system has held its own in the last year in capital and in number. But I want you to compare for a moment not the number, not the capital, of the national banks—compare the aggregate resources of the national banks of the United States with the aggregate resources of the state banks and trust companies, and I think you will be surprised. For the last year, ending March 7, the aggregate resources of the national banks of the country were three times the aggregate resources of the 14,900 state banks and trust companies doing a commercial business in the United States. The aggregate resources were three times the aggregate resources of those practically 15,000 state banks and trust companies.

Take the aggregate increase in resources of the national bank system—for the year ending March 7, the aggregate increase was three times greater in one year for the national bank system than for three years for the state banks, trust companies, savings banks, loan companies, and private banks of the United States.

If you take the ratio of increase, you will find that the ratio of increase of the aggregate resources of the national banks for the last year ending March 7 was five times the average ratio of increase of the trust companies and the savings banks for three years.

I think, my friends, that will satisfy you that the national bank system is not moribund. It is in extraordinary vitality and virility, and I make the prediction that it is going to increase in vitality and virility, and, if I had my way, would so liberalize the charters of the national banks that our brethren in the state banks and trust companies sooner or later could not resist coming and taking out a national charter under the laws of the United States.

Banking and Financial Notes

EASTERN STATES

New York City

—A special meeting of stockholders of the Chase National Bank has been called for September 7 for the purpose of voting upon the proposed capital increase from $5,000,000 to $10,000,000. The 50,000 new shares to be created will be offered at par to holders of record at the close of business on September 7, each stockholder being entitled to take the same amount of new stock as the amount of his present holding. As the Chase stock is now quoted at 618 bid, 630 asked, the right to subscribe constitutes a dividend of about $500 a share. The $5,000,000 stock of the bank is now valued in the market at $31,000,000. The Chase ranks third among the national banks of New York City in net demand deposits. These totaled at the last report $195,758,000, being exceeded only by the deposits of the National City and the National Bank of Commerce. Its net profits shown in the last statement were $10,453,000, and its loans $181,176,000. The rights of stockholders of the Chase to subscribe and pay for the new stock at par may be exercised by them at any time up to and including October 2, upon which dates all rights not exercised will terminate. Subscription warrants are to be mailed soon after September 7.

—Record deposits of $90,005,685 are reported by the Irving National Bank in the statement of its condition as of July 31. A feature of the report is the extremely liquid condition of assets, there being immediately $59,367,334 in cash, cash items, rediscountable paper, and call loans, while $30,130,981 could be secured within 180 days from maturing loans and discounts. This makes a total of $89,498,315, or sufficient to cover the deposits practically dollar for dollar.

—Percy A. Rockefeller has been elected a director of the National City Bank of New York.

—The Guaranty Trust Co. of New York has issued a "Digest of the Federal Farm Loan Act" giving a comprehensive idea of the new rural credits law. The subheads of the digest are as follows: Purpose; administration; Federal farm loan board; farm loan registrar; Federal land banks; land bank appraisers, national farm loan association; agents to act for Federal land banks; joint stock land banks; loans; defaulted loans; farm loan bonds; farm loan commissioner; examinations; penalties; ex-

emption from taxation; disposition of net earnings and dividends.

—Twenty-two of its recent newspaper advertisements are reproduced by the Guaranty Trust Company of New York in a booklet entitled "Guaranty Service." These advertisements cover such points as reserve accounts, foreign business, custody of securities, bank acceptances, bonds, credit information, etc. The booklet is sent free by the company on request.

—The Guarantee Trust Company has made application to the Superintendent of Banking for permission to open a branch office at 25 East 60th Street.

—An interesting booklet has been issued by the Bankers Trust Company and is now being distributed, which treats of the functions of a trust company and points out in detail the steps to be taken when a testator desires to appoint a trust company as executor and trustee under his will.

—The Bankers Trust Co. is distributing among its customers and to others on request a pamphlet containing extracts from the inheritance tax law of the State of New York, with explanations of the practical operations of the law. Some of the more important topics treated are "Taxable Transfers," "Property of Residents," "Property of Non-Residents," "When the Will Fails to Specify," "Gifts in Contemplation of Death," "Future Bequests," "Exercise of Power of Appointment Taxable," "Intangible Property Held in Joint Names," "Tax on Clear Market Value," "Exemptions," "Bequests to Direct Heirs," "Bequests to Collaterals and Strangers" and "Definitions of Estate, Property, Tangible Property, Intangible Property and Transfer, Interstate Laws and Resident."

—The New York agency of the Bank of Nova Scotia has moved to 52 Wall Street.

—The trust department of the Bankers Trust Company have issued a pamphlet for clients entitled "Calendar of Taxes." It contains information conveniently arranged regarding the dates when taxes are due, when penalties are added, when tax books are open for inspection and when applications must be filed for the reduction of assessed valuations. This information covers real estate taxes of the City of New York, personal property taxes and the Federal income tax against individuals.

—Harry B. Watt and Harry Martin have been appointed assistant secretaries of the Bankers Trust Company.

—Theodore H. Banks has been elected a vice-president of the American Exchange National Bank. Mr. Banks has been identified with the banking interests of the city for thirty-three years, and for twenty-one years was a member of the firm of Harvey Fisk & Sons,

from which firm he retired last fall. He will take up the duties of his new post about the middle of September.

—A pamphlet is being distributed by the Bankers Trust Company's trust department containing the text of "An act to amend the tax law in relation to taxation on secured debts," which was signed by the Governor of the State of New York, April 21, 1916. The pamphlet was issued by the company in order to keep the clients informed as to the changes in secured debts taxes.

—The Nassau County Trust Company and its affiliated organization, the Nassau Suffolk Bond & Mortgage Guarantee Company of Mineola, New York, have opened their new bank building. The edifice, designed, constructed and equipped throughout by Hoggson Brothers, contracting designers, of New York City, is of Florentine design as to architecture, employing the details and forms usually found in Italian palaces of the medieval period. H. Van Buren Magonigle was retained as architect. The building has a terra cotta base, with the body in rough surface brick selected for its rich buff color, and finished with a bracketed overhanging copper cornice painted in four colors, and roofed with a dark red Spanish tile.

Nassau County Trust Company is the successor of Nassau County Bank, which was organized in 1889, shortly after Nassau was cut off from Queens and made a separate county. The institution was first capitalized at $25,000 with a paid-in surplus of equal amount. The history of the bank and its growth and development is coincident with the growth of the county itself. In 1910 the bank increased its capital stock to $100,000 and took out its present charter. The total resources of the company as indicated in its last statement is close to a million and three-quarters.

The Nassau-Suffolk Bond & Mortgage Guarantee Company organized several years ago for the purpose of supplying capital for the building of new homes in this section of Long Island, has been as eminently successful as its sister organization. Its affairs are in the hands of some of the most prominent financiers of Long Island.

—The Southampton National Bank of Southampton, Long Island, has increased its capital from $50,000 to $100,000. The capital was enlarged through the declaration of a stock dividend of 100 per cent. This is the second time since its establishment in 1888 that the bank has raised its capital in this way, the amount having been increased from $25,000 to $50,000 by means of a special 100 per cent. dividend. More than $82,000 has been distributed by the bank since its organization through its regular dividend declarations.

Philadelphia

—The growth in resources of the Corn Exchange National Bank is evidenced by the following table compiled

from Comptroller's statement during the past seven years:

1910	$23,455,000
1911	25,995,000
1912	27,000,000
1913	27,100,000
1914	29,200,000
1915	29,600,000
1916	40,000,000

—Albert S. Marks, of J. T. Thorn & Co., has been elected president of the State Bank of Philadelphia. He succeeds David Netter, who has been president since Herman Loeb's resignation in July. Dr. Julius Love has been made vice-president of the institution. The bank, which began business last November, has a capital of $50,000.

—In the Philadelphia section, a large volume of business is being done, says William A. Law, president of the First National Bank of Philadelphia. A good undertone, with admirable conservatism, is seen in the principal manufacturing branches, where profits are still abnormally large. The slowing down which is often seen during the season of high temperatures is less of a factor this year owing to the heavy orders on hand and in sight. Yarns still command high prices, as it is difficult to secure quick deliveries. Some tape manufacturers were so heavily booked with orders that they could not bid on new army work. The iron and steel plants have plenty of foreign business to care for, which has made many rather independent of railroad work.

—The advent of the midsummer month finds commercial and industrial affairs in the Pittsburgh district running at full tide, says the People's National Bank of Pittsburgh. In July, bank clearings averaged about $2,000,000 a day above the average for the same month last year, and the total was a new high record for the month. The announcement that one of the district's chief munition workers had completed its large foreign contracts and released a considerable number of workmen employed thereon did not bring any appreciable relief to the local labor situation. The shortage now is not so much in skilled mechanics as in unskilled labor, and former munition workers are not in any immediate need of, nor in the mood for, work that is laborious and commands much smaller pay.

By a close vote the miners of this district finally decided to abide by the contract negotiated with employers last spring, and mining operations have been resumed with prospects for peace in this industry for the ensuing two years, the period of the agreement.

—The Morris Plan Bank of Buffalo was opened August 1. It has a paid-up capital of $200,000. Eliott C. McDougal, president of the Bank of Buffalo, is the president.

NEW ENGLAND

Boston

—William G. Wendell has been appointed New England representative of the bond department of the Guaranty Trust Company of New York, with office at 50 Congress Street. Mr. Wendell is a Boston man, the son of Barrett Wendell, who has been for many years Professor of English at Harvard. The chief purpose of the opening of the Boston office by the Guaranty Trust Company of New York is to keep in

closer touch with the local banks and trust companies in Boston and New England, and to serve them particularly in the matter of bond investments.

—The directors of the Federal Trust Company of Boston have elected Albion F. Bemis of Brookline, Mass., as secretary and actuary of the company to succeed David Bates, deceased. John H. Johnson of the Buick-Boston Co. of Boston, Mass., has been elected a director of the institution.

—July 31 the International Trust Co. passed the $2,000,000 mark in deposits in its savings department.

—The Federal Reserve Bank has sent a letter to all the member banks, in which it announces that on and after July 24 it will receive from member banks and from other reserve banks for credit, in accordance with the schedule, checks upon all national banks, trust companies and state banks in New England. This places all New England checks on a par basis.

—Postmaster Murray has announced that the postal savings on deposit in the Boston district at the close of the fiscal year June 30 amounted to $2,061,259, an increase of $441,554 for the year, or about twenty-seven per cent.

—One of the unique and efficient features of American banking developed here—the foreign department of the Boston Clearing House Association, which greatly reduced the time and expense in collecting out-of-town New England checks—has received the high compliment of being adopted by the Federal Reserve System. In commenting on the new check collection arrangement, the Federal Reserve Board declares:

"The Boston district, by reason of having taken over the Boston country clearing house, was able to make the most flattering exhibit, so that in New England checks drawn against a bank, whether member or non-member, are collected at par without exception."

No doubt the success of the Boston plan, which in principle resembled the Suffolk system of redeeming notes, greatly encouraged the Federal Reserve Bank to put into effect a country-wide system.

—Roy A. Upham and George B. Lord have been elected assistant cashiers of the Safety Fund National Bank of Fitchburg, Mass. The complete roster of officers of this bank is now as follows: Elmer A. Onthank, president; George N. Proctor, vice-president; Samuel H. Lowe, cashier; John C. Dexter, Roy A. Upham and George B. Lord, assistant cashiers.

SOUTHERN STATES

Baltimore

—C. C. Homer, Jr., president of the Second National Bank of Baltimore, has been appointed chairman of a special

committee named by the Baltimore Clearing House Association to take the necessary steps to make Baltimore a par point for cash collections. The Federal Reserve Bank of Richmond has been asked to outline the conditions under which a plan of this kind could be carried out. Members of the Baltimore Clearing House Association are anxious to enlist the aid of every financial institution in Baltimore in the effort to make Baltimore a par point. Cincinnati and Pittsburgh some time ago took the same step which Baltimore contemplates and both were made par points.

—The stockholders of the Merchants' & Mechanics' Bank and the First National Bank have been asked to sign proxies for the consolidation of the two companies. The stockholders of the First National will receive $140 and an interest in the banking house, while the Merchants' & Mechanics' Bank will receive $95,000. A syndicate is being formed by Alexander Brown & Sons to underwrite the stock.

—According to newspaper dispatches from Baltimore, the Equitable Trust Co. is planning to double its capital stock and bring its surplus fund to an amount equal to the increased capitalization. It is proposed to increase the capital stock from $1,000,000 to $2,000,000 and sell the additional stock at $50 a share, or double par value received. The premium will be added to surplus and will, it is estimated, increase this fund to $2,000,000 by the end of the [illegible]. It is also proposed, according to the story, to increase the dividend from six per cent. to twelve per cent. in the near future. It is said it will not be necessary to form an underwriting syndicate to handle the new stock, present shareholders and directors having expressed a willingness to subscribe to their proportion. Beginning business January 17, 1913, with no deposits, the company to-day has deposits in excess of $6,000,000 and total resources of approximately $8,000,000. More capital is needed to take care of the company's rapidly expanding business, and the directors have been considering for some time a plan for issuing more stock. The market price of the company's stock has recently advanced from 30 to 48.

Richmond

[*Special Correspondence*]

—Rediscounts of the Federal Reserve Bank of Richmond were not as large during the month of August as during July of this year. This is possibly due to the fact that August is usually a dull month in business circles. Against this also was the fact that the second week in July the local institution broke all records for the period in rediscounts, the amount of paper handled during the week for the member banks being $2,027,222.

—Showing an increase of seventy-eight percent. in clearings, a report was issued by the Richmond Clearing House

Association the latter part of August, compared with the corresponding period last year. The August clearing for this year amounted to $41,814,556, while for the corresponding period last year the total was only $23,490,398, an increase of $18,324,158.

—Banking conditions in Richmond are eminently satisfactory according to statements made by a number of the leading financiers of the city. While the banks have an abundance of money, they are all doing a good business, the clearing house reports showing the steady increase in the amount of business done by the financial institutions.

—The purchase of a handsome lot as a site for a new home was the initial step taken by the Federal Reserve Bank of Richmond in preparation for larger and more convenient quarters. The new building will be located on Ninth Street fronting on the historic Capital Square Park. The lot has a frontage of 95 feet and cost $122,500. The location is possibly one of the best that could have been secured, besides being beautifully situated it is very convenient to the banking district and close to the post-office.

A building committee has been appointed consisting of the following members: Governor George J. Seay, Federal Reserve Agent Caldwell Hardy, Deputy Agent James A. Moncure, Directors John F. Bruton, Wilson, N. C., and H. P. Wilcox, Baltimore. This committee is now studying plans for the proposed structure and as soon as the plans are adopted the work of construction will begin.

The Richmond institution now has a force of about sixty officers and clerks. The bank has made an excellent showing as a money maker and during the first half of the fiscal year tied with Dallas, Texas, for first honors, having earned 5.3 per cent. on capital stock for the six months ending June 30.

—No successor has been announced to fill the vacancy caused by the death of N. Randolph Watt, assistant cashier of the National State & City Bank, which occurred July 31 after a short illness of typhoid fever.

—Colonel Thomas B. McAdams, vice-president and cashier of the Merchants National Bank, who has been ill with typhoid fever, is convalescent.

—By maintaining an excess balance in the Federal Reserve Bank of Richmond, checks on any of the member banks in the district can be accepted and given immediate credit in the local institution, according to an announcement by Governor Seay of the reserve bank here.

Under the new collecting system, checks for collection do not get immediate credit unless the excess balance is maintained. Baltimore was the first city in this district to take advantage of the new arrangements and all the member banks in the reserve system located in Baltimore are keeping the excess balance so that checks on that city are ac-

cepted here immediately at par. It is expected that other cities in the fifth district will follow the example set by Baltimore.

—Warning has been issued by Governor George J. Seay of the Federal Reserve Bank of Richmond that checks marked with the clause "Payable in exchange at current rates" are held not to be negotiable and should not be accepted by any bank in the Federal Reserve system. Governor Seay advises that such checks will not be received by the local bank for any purpose whatever.

Jacksonville

—J. B. Pike has been elected active vice-president of the Heard National Bank of Jacksonville. Mr. Pike was for many years connected with the Hibernia Bank of New Orleans, having left that institution some two years ago to accept the cashiership of the Federal Reserve Bank of Atlanta. This position he resigned to accept the vice-presidency of the Heard National.

—George C. Marlitt, assistant cashier and auditor of the Heard National Bank of Jacksonville, was taken suddenly ill at his desk Wednesday morning, July 26, and died of acute indigestion a half hour later, the efforts of three physicians notwithstanding. Mr. Marlitt was 50 years old and had been with the Heard National ever since its organization four years ago. He came from Birmingham, Alabama, where for several years he was auditor of the First National Bank.

—As soon as the plans are completed work will be commenced on the new twelve-story building which Alfred I. duPont will erect at Ninth and Market Streets, Wilmington, Del., as the home of the Delaware Trust Company, which he recently purchased, and of which he is the president.

WESTERN STATES

Chicago

—The Stock Yards Savings Bank has increased its capital stock from $250,000 to $300,000. The new stock will be distributed as a twenty per cent. stock

J. B. PIKE

VICE-PRESIDENT HEARD NATIONAL BANK, JACKSONVILLE, FLA.

dividend payable to stockholders of record August 8.

—Crop conditions have improved materially over the somewhat gloomy outlook of a few months ago, says the National Bank of the Republic. On July 1 the composite condition of thirty-nine farm crops, expressed in percentages of their ten-year average condition, stood at 101.6 per cent. as against a similar figure of 102.3 per cent. ascertained last year. Of the four major grain crops, oats and spring wheat are the only ones to come above their ten-year average condition. The forecast of the Department of Agriculture for a combined yield of 4,942 million bushels of wheat, corn and oats, indicates a falling off of 665 million bushels as compared with the final harvests of 1915. Of this, 253 million bushels represent the prospective decrease in the yield of wheat, two-thirds of which resulted from the winter killing and the poor spring start of the winter variety. Just now the reports from the spring wheat states indicate a threat of damage by black rust, although on account of the lateness of the spring crop the actual damage sustained will not be ascertainable until a somewhat later date. With regard to corn, the official report of only a very slight increase in the acreage over that of last year was somewhat of a disappointment, although the condition of the plant promises an almost identical yield per acre. The oats crop, while of poor quality in the South, is showing a satisfactory harvest in other sections of the country and the total yield is indicated as 1,317 million bushels, or 62 million bushels better than was expected on June 1.

—R. B. Uphall, vice-president of the People's Trust & Savings Bank of Chicago, has been elected a director, succeeding R. H. Griffin, resigned. The directors have voted the transfer of $50,000 from undivided profits to surplus, bringing that account to $250,000.

—According to statistics furnished by the bankers' division of the Association of Commerce, there are 916,160

savings bank accounts in Chicago, totaling $232,797,275. The average savings bank account is $256. Additional depositors to the number of 23,650 make use of the United States postal savings bank. Their average deposit is $157. Average deposits of the twenty-one banks whose deposits run from $1,000,000 to $5,000,000 is $199. The nine banks whose individual savings deposits exceed $5,000,000 show a higher average of $339.

—Declaring that business conditions in a portion of the Minneapolis reserve bank district was disadvantageous to eighty-seven banking institutions, representatives of these banks have appealed to the Federal Reserve Board at Washington for incorporation in the Chicago reserve bank district. The general tendency of banking business in the upper Michigan peninsula and in part of Wisconsin is with Chicago, it was urged H. Tuelcher. A. H. Lindsay of olis likewise spoke for the bankers who wished to be incorporated in the Chicago district.

St. Louis

—N. L. Moffitt, a grain dealer of St. Louis, has been made a member of the board of directors of the National Bank of Commerce to succeed the late F. H. Britton.

—Plans for the beautification and enlargement of the Lafayette-South Side Bank of St. Louis have been completed and work will begin immediately. A building permit for upward of 5,000 worth of improvements has been issued.

Cleveland

—At a recent meeting of the newly organized board of directors of the Cleveland National Bank of Cleveland,

Ohio, Thomas E. Monks, secretary of the Guardian Savings & Trust Co., Cleveland, was elected president of the Cleveland National to fill the position formerly held by F. W. Wardwell. Mr. Wardwell continues with the institution as vice-president, succeeding S. H. Tolles, resigned. H. P. McIntosh, president of the Guardian Savings & Trust, has been chosen chairman of the board of directors of the Cleveland National. The directorate of the Cleveland National has been increased from eleven to twenty-five members. The new members are: H. P. McIntosh, the new president; J. A. House, vice-president of the Guardian Savings & Trust Co.; F. F. Prentiss, first vice-president of the Cleveland Life Insurance Co.; S. M. Bond of the Root & McBride Co.; Christian Girl, president of the Perfection Spring Co.; S. H. Robbins, president of the Moore Steamship Co.; George S. Case, vice-president of the Lamson & Sessions Co.; E. G. Tillotson, president and treasurer of the Tillotson & Wolcott Co.; H. G. Robinson, president of the James G. Hinde Realty Co.; Ralph L. Fuller, vice-president of the Harshaw, Fuller & Goodwin Co., and president of the Cleveland Chamber of Commerce, and Charles Eisenman, director of the Guardian Savings & Trust Co.

—Stockholders of the Guardian Savings & Trust Co. are being offered stock of the Cleveland National at $140 a share. The new capitalization of the Cleveland National is $1,500,000; the Guardian has acquired 5,000 shares or one-third and offers these to its stockholders, a quarter share of Cleveland National for each share of Guardian held, though Guardian holders may receive more than their mathematical allotment.

It is the intention to allot the remaining 10,000 Cleveland National shares at 140 to people who will cooperate in a business way with the National institution, and the savings bank

shareholders are requested to suggest individuals or firms that would be likely thus to co-operate.

Minneapolis

—The Metropolitan National Bank will occupy the ground floor of a new structure which is now being built at the corner of Second avenue and Sixth street. It is being erected by the Metropolitan Bank Building Co., composed principally of the stockholders and officers of the Metropolitan National Bank. It is to be a steel re-inforced building, twelve stories in height, size 99 feet on Sixth street by 153 feet on Second avenue. The Metropolitan National will occupy the ground floor on the corner. In the basement will be a very complete and up-to-date large safety deposit vault. The cost of the building will be not less than $600,000.

—Corn shows the effect of the hot weather which has been unfavorable for wheat and now gives promise of ample returns, says the Northwestern National Bank of Minneapolis. In Minnesota on the best soil corn may be said to be in normal condition for this time of year. In less favored localities it is nearly in seasonal condition. A reduction of acreage over that of 1915 is noticed in Minnesota and probably South Dakota, but it will be remembered that 1915's acreage planted to corn was greatly above normal. Throughout Iowa and Nebraska, especially in the latter state, corn is in splendid condition and is reported to be almost if not quite normal for this time of year and with promise of a crop equal to that of 1914. Comparison with the 1915 corn crop is not fair, inasmuch as the yield of that year was very eccentric—in some favored localities, especially in the central and southern states, being far above normal, while in the northern states it was only a meager crop and in many places a failure. Barley and oats are in good shape throughout the Northwest except in a few places where

the extreme moisture injured the crops early in the year.

—The Escanaba National Bank of Escanaba, Mich., expects by next December to be located in their new building, which is now in course of construction. The new building is being erected at a cost of $65,000, and will be thoroughly modern in every respect and carefully adapted to the banking needs of Escanaba. The erection of this structure was made necessary by the growth of business of the Escanaba National and is in itself the best evidence of the abiding faith of the management in the growth and prosperity of the community.

The bank has a capital and surplus of $150,000, and its deposits are over $800,000. The officers are as follows: J. K. Stack, president; J. C. Kirkpatrick, vice-president; M. N. Smith, cashier; E. J. Noreus, assistant cashier.

—In its statement of condition at the close of business June 30, 1916, the Merchants National Bank of Detroit showed total resources of $9,607,882.84 and deposits of $8,044,225.08. The officers of this bank are as follows: John Ballantyne, president; David Gray and John P. Hemmeter, vice-presidents; Benj. G. Vernor, vice-president and cashier; Alfred T. Lerchen, manager of credits; Henry Wiegert and Walter R. Joy, assistant cashiers.

Flint

—The Industrial Savings Bank of Flint, Mich., has shown a noteworthy growth since its organization with a capital of $50,000 in 1909. This bank now has a capital of $250,000, surplus and profits, according to its June 30 statement of $260,550, and unpaid dividends of $10,000. At the same time commercial deposits were $1,525,660 and savings deposits were $1,351,007. The official roster of this bank includes the

following: C. S. Mott, president; C. W. Nash, vice-president; Grant J. Brown, cashier; F. M. Buffum, P. H. Callahan and John S. DeCamp, assistant cashiers.

—The Citizens Commercial & Savings Bank has shown an increase of deposits during the past year of $600,000.

—The National Bank of Flint has been absorbed by the Genesee County Savings Bank of Flint, Mich., which will retain its old title. The capital stock of the latter institution will be increased from $400,000 to $500,000, and its surplus and undivided profits will be increased to $600,000.

—The Second National Bank of Saginaw, Mich., in a recent statement showed total resources of over $7,000,000 and deposits of $5,665,755. This bank has a capital of $500,000; a surplus fund of $500,000 and undivided profits of $156,960. Officers are as follows: George B. Morley, president; Walter S. Eddy and Albert H. Morley, vice-presidents; Edward W. Glynn, cashier; Alfred H. Perrin, assistant cashier.

—The City National Bank of Columbus, Ohio, will increase its floor space by converting the city ticket office of the Pennsylvania lines at Bay and High streets into a lobby.

—The Old State National Bank of Evansville, Ind., formally opened its new bank building on July 26th.

—The Meyer-Kiser Bank of Indianapolis has moved into its new home, on East Washington street. The new building cost approximately $70,000 and is one of the most beautiful bank structures in Indiana. The following have been promoted to vice-presidencies in the institution: Walter C. Johnson, J. J. Kiser, Fred Meyer and Miss Grace Jackson. William A. Brennan has been

promoted to the post of cashier. The thirty-two employees of the bank received half a month's salary in commemoration of the new epoch about to begin with the bank.

—The Farmers National Bank of Vinton, Iowa, will erect a $40,000 bank building which will be fireproof and modern in every respect.

—Geo. T. Tremble, formerly president of the Central Trust Co. of Ellsworth, Kan., has been made first vice-president and a director of the Fidelity Trust Co. of Kansas City. This fills a vacancy which has existed for two years since the death of Charles Campbell, who formerly held this position. Mr. Tremble, who is one of the best-known bankers in Kansas, will assume the duties of this new position in September.

PACIFIC STATES

San Francisco

—The Sumitomo Bank, one of the largest in the Far East, with headquarters in Osaka, Japan, has opened a branch in San Francisco. It has branches all over the Orient, and connections in London and New York. Its assets are about $50,000,000. Members of its staff now in San Francisco have made a careful survey of the situation, especially with reference to the needs of the Japanese business men of the coast, and it is understood that this report, now on the way to Japan, is entirely favorable. The Yokahoma Specie Bank is the only large Japanese institution doing business on the Pacific coast. The lines which the Sumitomo Bank are expected to follow are similar. It will deal in exchange and finance the mercantile business of Japanese in the United States. The Sumitomo Bank was incorporated in 1912, succeeding the private bank of the Sumitomo family. Most of the stock is owned by Baron K. Sumitomo. The bank was established originally in 1871. The Sumitomo family has been prominent in Japanese commercial affairs for about 300 years.

—The extreme business activity whose origin was in the great industrial centers of the East has never penetrated to the far West, says the Anglo & London-Paris National Bank of San Francisco. Certainly some of our industries have profited largely by demands growing out of the war while others are suffering because their products will not bear transportation at current prices for that service. Nevertheless the past fiscal year has been one of steady progress. For the six months ending June 30, clearings in this city were 23.4 per cent. in excess of those of the corresponding period last year. Similar conditions prevail throughout the state and the Pacific Coast. Loanable funds are in excess of local demand from approved borrowers. In 1914 there were found in the state 10,057 manufacturing establishments employing 176,548 persons, including proprietors, paying out

$140,843,000 for services, and adding by manufacture $265,326,000 per annum in value to materials costing $712,801,000 and our industries have increased, since the census was taken, much more rapidly than ever before in the state's history. As to crops: while most of those on irrigated land are good, and barley has turned out much better than was expected, our short fruit crop brings down the average so that in its composite estimate of all the crops of the state the Department of Agriculture in its June report estimated our crop outlook at ninety-two per cent. of a ten-year average, the average for the United States being estimated at 97.7 per cent. Our short crops, however, are of good quality and bring high prices. Like most other states, we have considerable carry-over and new crops considerable carry-over of important crops, and indications are that during the year both carry-over and new crops will be turned into cash. Our wheat crop was very light and we shall have to import for local consumption nearly twice as much as we produced. But when we average our crop yields with our prosperous mineral industries and increasing industrial activity generally we must consider the state as a whole decidedly prosperous.

—A review of the petroleum industry of California for the past half year presents developments of large importance though not of startling character, says the American National Bank of San Francisco. The day of the spectacular oil field gusher which caused enormous over-production of crude oil, in the rich Midway field, is gone, and the dull times of the past six years ensuing therefrom for most operators seem destined to pass. For various reasons, supplies of oil are not now equal to the demand, and crude oil stocks have been reduced from 57,000,000 barrels to 51,000,000 barrels in the half-year period, or to a quantity equal to not more than six months' normal consumption of the Pacific coast. This is the first time in seven years that stocks have shown a reduction, and coming on top of the

Government's prosecution of the oil operators upon unpatented lands effected by the Oil Lands Withdrawal Acts (which means a further restriction of output) the outlook is certainly good for a continued reduction of stock with consequent less wasteful consumption of oil and an increase in the price of oil at the well to the producer. Prices have risen from 30 cents to 63 cents per barrel, at the well, as against $1.50 to $2.50 in the Eastern oil fields. The price of fuel oil on San Francisco Bay has reached 95 cents per barrel delivered to the consumer. This increase, compared with the increase in cost of basic staples the world over, is not high, and until the price reaches $1.50 per barrel (less than 4 cents per gallen) on the seaboard in California, no arresting of normal business expansions requiring oil fuel need be expected. Oil dividends for 1916 promise to be greatest in the history of the business, but these dividends will go largely to the marketing and refining companies rather than to the small producer. The high cost of oil well supplies is militating against larger drilling activities in the field, while the price of petroleum products, gasoline, kerosene, lubricants, etc., has remained practically standing for some time past.

—F. C. Mortimer, formerly cashier of the First National Bank of Berkeley, Cal., has resigned and has been succeeded by W. F. Morrish, who was formerly an assistant cashier.

—The Sacramento Valley Bank and Trust Co. of Sacramento, Cal., has moved from its old quarters on Eighth street into its new and handsome home on the corner of Eighth and J streets in the Casualty building. The new bank offices are equipped with every modern convenience.

—Extensive changes have been made in the personnel of the banking house of Coffman, Dobson & Co., of Chehalis, Wash. Francis Donahoe and William

Urquhart, two of the founders of the institution, have disposed of their stock and will retire. The Dobson stock has been taken over by J. A. Scollard, recently of Seattle. T. M. Donahoe has taken over a portion of the stock of his father and will become one of the directors. The major part of the William Urquhart stock is taken over by his son, J. A. Urquhart, who has been with the bank for several years, and a portion is held in trust for William Urquhart's family. President N. B. Coffman, one of the original organizers of the bank thirty-two years ago, is the only remaining active member of the old organization.

The board of directors under the new organization will be composed of N. B. Coffman, James A. Urquhart, J. A. Scollard, T. M. Donahoe and one to be filled later.

N. B. Coffman continues in the office of president; James A. Urquhart will continue to hold the office of cashier and will also serve as vice-president. Daniel T. Coffman and Charles R. Mitchell will continue as assistant cashiers.

—Horace Middaugh has been elected president of the German-American Mercantile Bank of Seattle. Mr. Middaugh was formerly chairman of the board of directors. E. H. Flick at the same time was named second vice-president. C. S. Harley continues as first vice-president; L. J. Riley as cashier, and W. R. Graham as assistant cashier.

Alaska

—Willard R. Hillery has been elected a vice-president of the Bank of Alaska. For some years Mr. Hillery has been cashier of the White Pass and Yukon road.

Mr. Hillery's election to the vice-

presidency anticipates the enlargement of the bank's system, but it is not yet decided as to where Mr. Hillery will be permanently located, or whether there will be any other changes in the present assignment of officers in charge of the branches. It is stated, however, that Mr. Hillery will for the time being be located in Skagway and will assume his new duties on or about September 1.

Mr. Hillery is a native of San Francisco, where he received his education, coming to Skagway during three summer vacations, beginning in June, 1899. The first summer here he was acting secretary of the Y. M. C. A. Club of Skagway. He was subsequently day clerk in the Brannick Hotel, which later burned. It was in 1903 that he entered the employ of the White Pass as purser between White Horse and Dawson. He was senior purser when he entered the auditor's office at Skagway in 1909. On September 1, 1911, five years ago, he became cashier.

Mr. Hillery has served Skagway in a number of different fields, having been two years a member of the city council, and is now the first elective city clerk. He is past master of Masons, and past exalted ruler of Elks. For four terms he filled the office of Arctic recorder of the Arctic Brotherhood. At the present time he is treasurer of the White Pass Athletic Club, of the White Pass Hospital Association, and of the Skagway Development Association.

—The noteworthy growth in deposits of the Bank of Alaska since its opening on March 20 is shown in the following table:

March 20, 1916 (opening day)......	$9,151.61
March 31	17,593.58
April 29	40,721.79
May 15	64,914.00
May 23	96,920.39
June 2	133,978.29
June 12	167,360.91
June 20 (3 months old)..........	200,144.83

CANADIAN

—Clearings of Canadian banks in the month of June were slightly lower than those of the month of May, which reported record figures.

The June total of $881,170,470 represented an increase of $306,722,581, or 53.9 per cent. over the same month a year ago. An interesting feature of the return is the striking improvement scored by the West, where clearings showed a gain of 64.9 per cent. against a gain of 49.4 per cent. in the East.

This table shows Canadian bank clearings for the first half of the year, month by month, since 1914 (000 omitted):

	1916.	1915.	1914.
January	$742,900	$566,706	$697,728
February	664,222	487,296	596,837
March	715,617	567,575	632,000
April	726,786	575,941	671,705
May	909,167	570,769	701,353
June	881,170	574,448	699,179

THE

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The Averted Railway Strike

> **"And he said unto them, extort from no man by violence; . . . and be content with your wages."—Luke: 3, 14.**

FEW events in the political and economic history of the United States have been more significant than those connected with the inception and ending of the threatened railway strike that was to have taken place on the fourth day of last month. The points of chief interest in this matter were these:

First—A definite change, at least temporarily, in the substance of the Government of the United States from a republic to an autocracy.

Second.—A long step in a process whereby labor is gaining the mastery of capital.

The first of these portentous changes began with the death of William McKinley. From that time forward until now the Executive has not confined his relation to legislation within the limited scope fixed by the Constitution. That document gives the President power to veto bills he does not approve, and also the power to "recommend" such measures as he may think wise. But it nowhere confers any grant of power to bludgeon measures through Congress in the manner common to the three most recent occupants of the White House. If Roosevelt and Taft were both blamable in this respect, their instruction has been "bettered" by Mr. Wilson, for no President has shown such entire disregard of Constitutional limitations in his attempts to enact his will into the law of the land. Strangely enough, in this latest instance, as in the other usurpations of legislative power that have marked his

administration, the President himself has been coerced by some power that he feared. He yielded to the threat of a strike made by the railway organizations and then coerced Congress into obeying his will, he yielded to some mysterious power in the matter of the Panama Canal tolls, and then, in defiance of pledges in the platform on which he was elected, coerced the Senate and House into rushing through a measure repealing the free tolls provision for American ships, thus throwing away a large share of the advantages our shipping might have gained in traversing a canal built by American enterprise and involving the expenditure of over $400,000,000 of American money. He yielded again to Carranza's threat in Mexico, and has now appointed commissioners to negotiate with him, presumably as a preliminary to lending him money; and the next step will doubtless be dictation to Congress in dealing with this affair. Examples might be multiplied, but these will suffice to show that Mr. Wilson lacks the stern qualities of men like Andrew Jackson and Grover Cleveland, who could not be bluffed into sacrificing principles in which they believed.

But President Wilson allowed himself to be bluffed by the threats of the railway organizations. Then, evidently filled with contempt for the weakness of Congress, he rushed to that body in person and compelled the passage of the eight-hour law. He may have done this in the belief that it was the best way of avoiding the serious consequences which a strike would have involved; or, being human, he may have been impelled to the course he pursued on grounds of political expediency. He seemed to prefer to surrender in face of a threatened strike rather than to take a stand in favor of arbitration, which is what the railways wanted and their employees refused.

We have thus come to a position in this country where one man imposes his will on Congress.

That seems the most significant feature of the history of the averted railway strike.

But there is another hardly less important, and it is this:

Organized labor, acting through a legislative body under the control of a political dictator, has shown its power to give orders which must be obeyed, or a war of starvation will be waged against the men, women and children of the country. This process, carried to its conclusion, means that it is but a question of time when labor will gain the mastery of capital.

The abstract merits of this controversy have been exhaustively discussed. It is contended, on the one hand, that it was not a matter of shorter hours, but of more pay to a class of railway employees already well paid; on the other, the railway employees claimed that they could not trust their cause to arbitration, which always showed bias against them.

But the railways, in the matter of rates, must submit to arbitration by a Government board, none of whose members are of their choosing and few or none of whom have any expert knowledge of railway matters gained from practical experience.

Must the railways submit to arbitration of requests to raise rates while their employees are favored by having their demands for higher wages rushed through Congress at the dictation of the President of the United States? And is this because one side is supposedly more popular than the other? Because capital controls few votes and labor many?

If the present policy of dealing with the railroads continues much longer—a policy whereby they are compelled (even by act of Congress) to pay more in wages, and with increasing cost of materials—the time would seem to be not far distant when the Government will have to take the next step, which is to assume the ownership and possibly the operation of the railways of the country.

THE RECENT LOAN TO GREAT BRITAIN

UNLIKE the former loan made on the joint obligations of the Governments of Great Britain and France, the recent British loan of $250,000,000 is secured by collateral deposited in New York. This collateral consists of American and foreign securities of various kinds and having a value of at least $300,000,000. The new loan is for two years, in the form of five per cent. gold notes, and at the issue price, 99 and interest, yields slightly over five and one-half per cent.

One gets a fresh idea of international finance in studying the details of this transaction. That London should be borrowing on such large scale, in the United States, at the rate named, and not at a premium but a discount, and that the loan is secured by pledged collateral—all these facts offer surprising testimony of the vast financial revolution which the war has wrought. Will the great conflict go on until the borrowing nations have to pay an even higher rate, to put up more and more collateral, or possibly to be unable longer to procure loans on any terms outside their own territory? The wealth of Great Britain and France is still enormous, but the problem may resolve itself into one of limits of available revenue rather than national wealth. Great resources not productively employed afford no ready means of providing revenue with which to meet the enormous drains these nations are now undergoing. Taxation has its bounds, and it becomes a question whether

these may not soon be reached. Great Britain labors under the necessity of supplying some of her allies with funds as well as providing for an enormous home outlay. These enormous demands have been met with extraordinary skill thus far, but the question arises as to how much longer this stupendous outlay can be borne even by two of the greatest and richest nations of the world. Something of this kind must have been in the minds of New York bankers when they insisted on collateral for the $250,000,000 loan to Great Britain and the earlier $100,000,000 French credit. According to a recent estimate, the war loans of all belligerents exceed $40,000,000,000.

Of course, the problem, so far as it concerns France and Great Britain, is not a purely financial one. It is yet complicated by the military situation. These nations appear to be getting the upper hand, but the decided victory they hope for has not been won. In studying the great conflict one must realize as never before what tremendous sacrifices of life and money nations will make in behalf of self-preservation and how costly the attempt of one nation or group of nations to dominate in world affairs.

IS THE GOVERNMENT DEBT STATEMENT MISLEADING?

An examination of the "Financial Statement of the United States Government," for July 31, signed by W. G. McAdoo, Secretary of the Treasury, contains a statement of the interest-bearing debt and of the debt bearing no interest. The items appearing under the latter head are: United States notes, old demand notes, national bank notes assumed by the United States on deposit of lawful money for their retirement, and fractional currency.

The Federal Reserve notes, which according to law are obligations of the United States, are not included in the debt statement. Does not this omission render the debt statement misleading? There are over $180,000,000 of Federal Reserve notes now outstanding, and according to law they are part of the Government debt, though the Secretary seems to have overlooked this fact. An individual who concealed his debts in a statement of resources and liabilities would be severely dealt with, and although the Government may be exempt from legal penalties it is not released from the moral obligation of correctly stating what it owes.

The matter is important from the standpoint of principle chiefly, for it is not contended that the margin between the gold held by

Federal Reserve agents for the redemption of these notes and the volume of notes actually outstanding is large enough to have any important effect on the debt statement, whether included or excluded; but that is not the question. A time will come when these notes will be supported by a much narrower gold reserve than now, and the facts each month ought to be correctly stated. Should the time again come when the Government's obligations shall be distrusted, as they were during a part of the second Administration of President Cleveland, this may become a matter of grave concern.

In the monthly statement of money in circulation the Treasury presents the facts about the Federal Reserve notes so far as relates to the amount of gold upon which they rest. But why should not the debt statement frankly recognize these notes for what they are—obligations of the Government of the United States?

Gold and silver certificates are substantially Government warehouse receipts for which an equivalent amount of the respective forms of coin may be demanded. But Federal Reserve notes are a Government debt, and may enter into the circulation supported by a gold reserve as low as forty per cent. The Government therefore, in making public its financial statement, should classify these notes where they properly belong, and that is among the other items comprising the non-interest-bearing debt.

PROPOSAL TO OPEN THE FLOOD-GATES OF INFLATION

FROM the "Federal Reserve Bulletin," the official publication of the Federal Reserve Board at Washington, comes this remarkable piece of information: "In submitting its annual report to Congress on February 1, 1916, the Federal Reserve Board made the following recommendations for amendments to the Federal Reserve Act. [Here follow a number of proposed amendments, concluding with these two]:

"Amend section 11 by adding a clause 'm' as follows:

"(m) Upon the affirmative vote of not less than five of its members, the Federal Reserve Board shall have power, from time to time, by general ruling covering all districts alike, to permit member banks—

"1. To carry in the Federal Reserve Banks of their respective districts any portion of their reserves now required by section 19 of this Act to be held in their own vaults.

"2. To count as part of their lawful reserves Federal Reserve

notes of their own district not exceeding in the aggregate an amount equal to five per centum of their net demand deposits."

If the first recommendation contemplates, as it seems to, that a bank may be allowed to deposit all its reserves with a Federal Reserve Bank this would mean that a bank could do business without any real money on hand so far as the law is concerned. But worse than that, it would mean that the reserve money the banks now hold, and upon which credits have already been created to the extent of several times the amount of reserve, would be used by the Federal Reserve Banks (or at least they could be so used) as the basis for still more credit.

As one of the purposes of the Federal Reserve Act was to remedy the evils caused by redepositing reserves, a change of this character would be a backward step. Under the old system the banks must keep part of their reserves in their own vaults.

But this proposal is much less objectionable than the succeeding one, which would permit member banks to count the notes of the Federal Reserve Bank of their district as part of their lawful reserves.

Not since the free coinage of silver was proposed, in 1896, has anything more dangerous and unsound been suggested by any one of authority on monetary and banking affairs.

This proposal, in essence, is one for still further diluting the already weakened banking reserves of the United States.

Is this statement a mere theory, or will it bear the test of practical examination?

Roughly the amounts and kinds of "money" other than gold now available for banking reserves of state banks are shown as below:

Greenbacks	$346,000,000
Silver	500,000,000
National bank notes	700,000,000
Total	$1,546,000,000

True enough, both the greenbacks and silver dollars have a substantial gold value; the first on account of the Treasury reserve supporting them, and the second because of their own intrinsic value. But allowing for this factor, about half the sum above mentioned is unsupported by gold.

If Gresham's law, that bad money drives out good, is valid, then when the present economic conditions are reversed so that the exchanges tend against the United States, we shall see an expulsion of gold from the country and perhaps in a very large volume.

But as if the character of the reserve money were not already questionable enough, the Federal Reserve Board now proposes that

it be made still worse, namely, by permitting Federal Reserve notes to be counted as a part of the reserves of banks belonging to the Federal Reserve System. These Federal Reserve notes may be based on a gold reserve as low as forty per cent., and the margin above that will of course be credit in one form or another. That is, banks will be using credit—some of their own credit, too—as reserve, instead of using for that purpose the standard metallic money.

While the proposal of the Federal Reserve Board only contemplated that five per cent. of the reserves might be held in this form, and even this was dependent upon permission from the Board, the suggestion must be regarded as unsound in principle and merely as an entering wedge in the process of inflation which began by making the Federal Reserve notes obligations of the Government and thus substantially endowing them with a quasi-legal-tender quality and assuring their use as reserves by the state banks. Furthermore, there is practically no limit to the volume of Federal Reserve notes that may be issued, and the bars once let down for their use as reserves, the country has taken a step toward the policy of dangerous inflation that was checked when free silver was defeated in 1896.

There is need in this country to-day for a National Sound Money League that will instill into the minds of the Federal Reserve Board and of others a knowledge of some of the primary economic principles about money and banking, a disregard of which has involved in disaster this and other countries that have forgotten the teachings of experience.

CREATING CREDIT BY LEGISLATION

UNTIL the access of the present Administration to power the farmers of the United States were without credit. At least that is what President Wilson tells us in his speech accepting renomination for the Presidency. He said:

"For the farmers of the country we have virtually created commercial credit by means of the Federal Reserve Act and the Rural Credits Act."

In other words, credit is something created by an act of Congress. It is not a matter of character, of industry, of business capacity, but is dependent upon laws passed by Congress. Therefore, to have credit you need not concern yourself about hard work, nor bother much about your character, nor try to be successful in business. These things do not count. To have credit you want to vote

right. Vote for the party that will legislate credit for you. Then to get all the credit you want, keep solid with the ward boss and district leader.

It is really amazing that a man of Mr. Wilson's intelligence could make so preposterous a statement. We have been told in the State of Iowa the farmers own three-fourths of the bank stock. In all the prosperous agricultural states they have large interest in the banks, and are the heaviest depositors. Does not the President know that the farmers, long before he came into political prominence, had vast credits at the banks? The acts to which he referred may have improved the mechanism of granting credit to the farmers, but to say that legislation virtually created commercial credit for them is to talk nonsense.

The President taunts the Republican party for its failure to enact comprehensive banking legislation. But suppose the Federal Reserve Act should turn out to be itself a breeder of panics, as some people believe it will, perhaps his satisfaction over that measure may be considerably diminished. Presumably, however, the Republicans are satisfied with the Federal Reserve Act, for they said nothing about it in their platform and are not making an issue of it in the campaign.

IS THE "MONEY TRUST" PERPETUATED BY THE FEDERAL RESERVE ACT?

LARGE claims have been made for what the Federal Reserve Act has done in freeing the country from the awful clutches of the "money trust." It is said that credit has been decentralized and taken out of the control of a small number of banks. In these pages the falseness of this claim has been repeatedly shown with mathematical exactness. The control of the banking reserves has been taken away from over two hundred banks and placed in the hands of twelve banks, under the domination of seven men appointed by the President. In other words, credit, so far as it is dependent upon the bank reserves, has been centralized to an extent never dreamed of in this country.

But is the slaying of the "money trust" also a false claim? Speaking in the House of Representatives last summer, Hon. Charles A. Lindbergh, of Minnesota, told of the difficulties he encountered in endeavoring to have the "money trust" investigated by a special committee of the House. After much delay, here is what happened, as told by Mr. Lindbergh:

"So great became the demand for the proposed investigation that the House, for once, in spite of the reluctance of the bosses here, was compelled to act. The committee on rules reported out my resolution under a different name, and, in order to prevent my being a member of the committee, as well as making it as harmless as possible to the money trust, provided that the investigation be made by the committee on banking and currency, which was composed almost entirely of bankers and the former attorneys of banks.

"The committee, nevertheless, reported that there was a money trust and that its activities were as I had stated them to be, and that its existence and the power it wielded were a menace to the institutions of this country, but for some reason it took no action to deprive it of that power. Woodrow Wilson, however, took notice of its existence during his campaign for the Presidency, and promised to exercise his influence, if elected, to curb its power and influence. I have no hesitation in saying that this promise, like many others, has not been kept, but on the contrary, the principal result of the financial legislation during this Administration has been to legalize and more firmly intrench the money trust in its control of business, credit, and politics of this vast country than ever before, and in order to screen that fact the money trust has bought the services of man prominent writers for the purpose of running articles in the press praising the system, which in less than six years the people will rise in rebellion against because of its intolerable and unjust burden."

What grounds Mr. Lindbergh may have for the conclusion he reaches are not stated. It might have proved of great interest if he had given in detail the reasons why he had reached the conclusion that "the result of the financial legislation during this Administration has been to legalize and more firmly entrench the money trust in its control of business, credit and politics of this vast country than ever before."

THE FEDERAL FARM LOAN ACT

THIS measure became a law by the signature of the President on July 17. Its provisions are complex. Three forms of organization are provided for, namely, Federal Land Banks (one in each of twelve districts), National Farm Loan Associations, and Joint Stock Land Banks. The Federal Land Banks are to have a capital of $750,000 each, which may be owned by individuals, firms, corporations and the United States and State governments. These institutions have power to buy first mortgages on farms in their districts and to issue and sell farm loan bonds. National Farm Loan

Associations may be formed by ten farm owners desiring loans aggregating $20,000 or more. The Joint Stock Land Banks may be formed by ten or more persons to do business in the State where located, and in one contiguous State. They may lend on farm mortgages and issue and sell farm loan bonds. These bonds, issued by the Federal Land Banks and Joint Stock Land Banks, are secured by farm mortgages and United States bonds.

While, as stated, the law seems cumbersome, it has been drawn with care and the various provisions for safeguarding loans appear adequate. The machinery may be so complex that the farmers will be indisposed to use it, though the steps to be taken in procuring loans are really simple enough. It is in the whole system itself that unnecessary complications have been introduced. Still, once in operation, it may work smoothly enough.

The multiplicity of organizations provided for in the new measure seem calculated to defeat the real object of legislation of this character—the standardizing of the farm mortgage and of the bonds issued against such mortgages so that these securities would have the widest possible market at the most favorable prices.

Whether or not there was any real need for all this elaborate and costly system may well be doubted. The existing financial mechanism would seem adequate. Possibly the new law may serve a good purpose in taking away farm loan business from some of the commercial banks, thus leaving their funds more available for ordinary banking transactions. In communities where there are savings banks handling the farm loans the new system would seem of little advantage, but it may prove of considerable benefit where these institutions do not exist.

The agricultural interests of the country are of such importance as to deserve the best attainable system of land credits. If the new system shall work out in practice as its sponsors expect, it will be of great service to the farmers. Should its facilities really be needed, they will be employed; but if not, the conclusion will follow that the existing means of making farm loans are adequate.

STATE BANKS AND THE FEDERAL RESERVE SYSTEM

STATE bankers do not relish the attempt being made to coerce them into joining the Federal Reserve System. A vigorous protest against this policy is made in the following letter from Mr. Elliott C. McDougal, president of the Bank of Buffalo. The

letter is addressed to state banks and trust companies in the State of New York:

"We have received a copy of a pamphlet issued by the Federal Reserve Board, giving a list of banks, items upon which will be received by Federal Reserve Banks for collection and credit. In that list are the names of a large number of state banks. This does not mean that all such state banks have agreed with the Federal Reserve Banks of their districts that they will remit at par for checks on themselves. For instance, the Bank of Buffalo is on the list. The Bank of Buffalo has not agreed to remit to the Federal Reserve Banks at par for checks on itself. Buffalo has a number of national banks which are members of the Federal Reserve System. The Federal Reserve Bank of New York can send to such national member banks checks on all Buffalo banks which are not members, and in this way collect them at par. To this the Bank of Buffalo has no objection, as it stands ready at all times to pay its checks in cash when presented over its own counters. It is, however, essential that the state banks receiving these lists do not gather a wrong impression to the effect that an unusually large number of state banks have filed their agreements with the Federal Reserve Banks.

"Providing the Federal Reserve Board will conduct the Federal Reserve System without interfering with or attempting to coerce non-member banks, not one straw would be laid in the way of the success of the Federal Reserve System. It is perfectly natural that the rulers of that system should wish to build it up to the greatest possible perfection. It is perfectly natural that they should wish to embrace in it all of the banking institutions in this country. Whether that would be best for the public is an entirely different question.

"Until experience has proven the contrary the following points appear to be perfectly clear:

"First—That the Federal Reserve System is big enough as it is, and that until it has perfected its own machinery and proven to the country at large that it should be allowed to monopolize the entire banking system of the country operating under both state and national laws, no further extraordinary attempt should be made to enlarge it.

"Second—The Federal Reserve System is not a sacred thing. It is not treason to say so. The entire question is a business proposition pure and simple. For a state bank to study the operations of the Federal Reserve System, to form its own judgment as to whether or not it is best for it to enter, and to discuss all such matters of opinion with the other state banks, is perfectly proper. For a state bank, or any body of state banks, to attempt to interfere with the operations of the Federal Reserve System, except in cases where it clearly invades the rights of state banks, is not proper.

"Third—The public will be much better served providing every state has its own system, competing with the Federal Reserve System. Within reasonable limits such competition will improve both systems. Monopoly under the Federal Reserve System would be harmful.

"Fourth—By reason of the widely differing requirements of the different localities, our state systems, each operating under laws peculiarly applicable to the state in which it operates, can be adjusted to meet local conditions. If there be any principle that is clear it is the principle that banks simply furnish the necessary machinery for facilitating the business of this country, and that machinery should be adjusted to suit business, and not business adjusted to suit machinery. In elasticity of adjustment to business needs our state systems are distinctly superior to the Federal Reserve System.

"Fifth—There is plenty of room in this country for both systems. Each can prosper without injury to the other. There is no good reason why either should endeavor to extinguish the other."

It would seem that as soon as the Federal Reserve System demonstrates its usefulness within the sphere in which it already operates the state banks would recognize the benefits derived from membership in it and would join without the compulsion employed to bring in the national banks. On the other hand, if the system proves a failure, why should the state banks be dragged into it?

The Lending Power of the Banks

[From the New York "Evening Post."]

THERE is noticeable a widespread and unfortunate tendency to figure the lending power of the banks and the margin of safety by the relations of their reserves to the amount fixed as the minimum by law. The remark is often heard that the lending power of the banks is greater now that the Federal Reserve act has lowered the reserve requirements. This is true; but the remark is apt to be a very misleading one. It does not mean that the banks can afford to keep a smaller reserve against deposits than they could before the Federal Reserve act went into effect. It merely means that they are allowed by law to do so. Legal requirements have no relation whatever to real requirements. Yet men who would have been frightened to see the excess reserve item fall below the old twenty-five per cent. requirement when it was in effect are not even disturbed when requirements fall below twenty-five per cent. with the new act. There is one feature in the Federal Reserve act which really expands the lending power of the banks, while allowing the same safety; that is the rediscount feature, and it has not been made use of to any great extent yet. In the European banking systems, which have no legal reserve requirements, and where the reserve is dictated only by prudence, it is usually kept at a much higher level than here.

American Bankers Association Convention

Kansas City, Mo., Sept. 25 to 30, 1916

IN point of attendance the convention of the American Bankers Association, held at Kansas City, Mo., Sept. 25 to 30, came near the record, while in intensity of interest it perhaps surpassed any of the preceding meetings. The total registration at Kansas City was 4,315, compared with 4,600 at Chicago in 1909 and 4,223 at Boston in 1913, the two conventions which most nearly compared in attendance.

The very large attendance was, of course, one cause of the interest shown, and another was the abnormal situation in which the country is now involved, and by no means least, the deep feeling aroused among the bankers of the country over certain features of the Federal Reserve Act. And while resolutions were passed commending the "fundamental features" of the Act, and professing loyalty to it, there is nevertheless a growing sentiment of dissatisfaction, which individual bankers freely expressed over some of the uses being made of the funds which the banks of the country have compulsorily contributed to the new system. One of the most significant utterances made at the convention, in regard to the Federal Reserve Act, was the statement of Mr. Vanderlip, president of the National City Bank of New York, that it would be interesting to inquire what hope there could be of the permanency of a system practically all of whose members entered it under compulsion. The professions of loyalty may be sincere, but he would be a most superficial observer who failed to note the expressions of discontent respecting this measure by the bankers of the United States. Their chief objection was launched against the regulations regarding the parring of checks, but that is only a minor phase of the real opposition that is developing, which goes to the very root of the system, namely, the political character of its management. The dangers of a politically managed banking system, especially with respect to its tendency to favor expansion when a contrary policy may be indicated by prudence, are being practically illustrated, and many of the most thoughtful bankers are gravely concerned over the outcome of such a policy.

Furthermore, the banks feel—at least a great many of them do—whether they said so in their resolutions or not, that the Government is using the money of the banks to compete with the members of the system. And this they resent very bitterly.

The convention went on record squarely against branch banking, A. J. Frame, of Wisconsin, leading the opposition in a conference of country bankers, and most ably supported by ex-Governor Bailey of Kansas on the floor of the convention. Not only were resolutions passed condemning the introduction of branch banking in any form, but also proposing the repeal of the law permitting state banks with branches to retain them on entering the national system.

A proposal to still further reduce the reserves of country banks met with decided opposition.

NOTABLE FEATURES OF THE CONVENTION

WITHOUT doubt the most impressive single feature of the convention was Mr. Vanderlip's address. At a time when most important problems in relation to banking and to international trade tempted to discussion, Mr. Vanderlip discarded them all and spoke directly of things which are of vital interest to national prosperity and national existence. His address not only embodied the views of an experienced banker and man of business, but was marked by the broad vision of the practical constructive statesman. Mr. Lynch's address also dealt most ably with some of the same vital problems.

Few conventions have had such a notable array of speakers. Included in the list were the Comptroller of the Currency, the Director of the Mint, the Governor and Vice-Governor of the Federal Reserve Board, and Mr. Vanderlip.

Mr. Warburg's address was listened to with deep interest. His knowledge of international finance and his close relations with the framing and administration of the Federal Reserve Act, gave exceptional weight to his utterances. He urged the bankers to place with the Federal Reserve Bank as much of their reserves as possible, so that the Federal Reserve Board might be better able to handle emergencies that may arise after the war.

THE PAR CHECK QUESTION

THIS was the subject uppermost at the convention. Not that much attention was given to it on the floor, but it was fully and vigorously debated at the conference of country bankers preceding the assembling of the convention. This conference, by the way, which has no official recognition as a section of the American Bankers Association, is coming to play a most important part in the deliberations of that body. Its meetings are held in advance of the day set for the regular convention, and its action has thus come to have almost binding force on the proceedings of the regular body. This illustrates the power which the smaller and more numerous country banks have in shaping the actions of the larger banks, many of which hold the accounts of the country banks, and therefore do not wish to antagonize their position.

This conference expressed itself in no uncertain terms against the par check regulations and branch banking, and the sentiment of the conference prevailed when the convention met later.

Undeniably the feeling of the majority of those present at this convention was hostile to the regulations of the Federal Reserve Board regarding par check payments. Many bankers regard the exchange charges as an entirely legitimate source of profit for service rendered. On the other hand, some of the best banking opinion holds to the view that if the charges were entirely abolished, the added business coming to the banks in consequence would far more than compensate for the loss in exchange.

But if the correctness of this view be conceded, the bankers feel resentment at the sudden and revolutionary changes in their business which the Reserve Board's regulations have wrought. Gradually, through improved banking mechanism and more perfect means of communication, exchange charges have tended lower and lower, and in some sections a system of country clearings had been evolved which had abolished them altogether. This process of banking evolution, which was gradually being extended, was supplanted by the immediate and drastic regulations of the Federal Reserve Board, and it is perhaps the violent and sweeping character of the change which the bankers resent rather than the object which the change sought to accomplish. They wanted more definite proof of the desirability of the plan than they thought had been af-

forded by the comparatively limited field in which it has as yet been tried.

BRANCH BANKING OPPOSED

REFERENCE has been made above to the action taken against branch banking. It is important, because an amendment to the Federal Reserve Act was before the recent session of Congress whose object was to permit national banks to establish neighborhood branches.

At the conference of country bankers, Mr. A. J. Frame, president of the Waukesha (Wis.) National Bank led the opposition to branch banking in an able and convincing address. He offered resolutions against this innovation, and these resolutions were adopted by the conference of country bankers, and later by the convention itself.

Something was, of course, said in favor of branch banking. Mr. Livingstone, ex-president of the American Bankers Association and president of the Dime Savings Bank of Detroit, told of the experience of the state banks of his city in establishing branches. These branches, he said, were established as a matter of public convenience and they brought banking facilities directly to many neighborhoods where the business would not justify the establishment of an independent bank. The patrons of these branches, Mr. Livingstone said, were treated with exactly the same consideration as shown to depositors in the main bank.

The convention seemed to recognize the fact that in cities where state banks have branches, the national banks are at considerable disadvantage in competing for local business, but the fear was expressed that if Congress should authorize the national banks to establish branches in the city where the head bank is located this would be but the entering wedge which would lead to the general introduction of branch banks and result in the monopolization of business by a few large institutions and the ultimate destruction of the present system of independent banks. This view prevailed overwhelmingly in the convention, as expressed in the resolutions and the temper shown toward the discussion by those present. Not only did this convention go on record as against the proposed amendment of the Federal Reserve Act, referred to above, but it voiced its emphatic disapproval of the indirect method of establishing branches of national banks by taking in state banks with branches.

Taking the attendance at the Kansas City convention as fairly indicative of the general banking sentiment of the country, it may be seen that the bankers of the United States are not favorable to the branch system.

THE GENERAL ATMOSPHERE

FROM mingling with a crowd of three or four thousand bankers for several days, coming from all sections of the Union, and representing all kinds of banks, one gains a general impression of present conditions throughout the country and the future outlook. Everywhere there is prosperity, though greater in some parts of the country than in others; and while the prospect ahead looks good, the very magnitude and intensity of our prosperity are occasioning some concern. This is not the attitude of one who always sees trouble ahead even when the skies are clearest, but it is the view taken by some of the prudent bankers who realize fully that the existing prosperity is widespread and genuine, and that it may and should continue for a long time, but who can not quite reconcile themselves to the continued rise of prices, the growing demands of labor, and who are above all else distrustful of the perfect healthfulness of conditions where unbridled extravagance seems to have become the national characteristic.

So the concern that many bankers feel for the future does not rest upon

any signs of a recession of the wave of prosperity in the near future, but on the contrary is based upon the belief that the wonderful wealth that has flown into our coffers almost in a night may tend to make us a nation of spendthrifts.

It should be remarked in passing that the American Bankers Association, through its nation-wide thrift campaign, is doing excellent work in counteracting this tendency.

Political subjects do not enter into the convention proceedings, but nothing said at Kansas City was more loudly cheered than the condemnation expressed by Mr. A. F. Dawson of Davenport, Iowa, of the course of Congress in passing the eight-hour railway bill.

THE ENTERTAINMENTS

KANSAS CITY splendidly entertained the convention of the American Bankers Association. Officially and individually the welcome given was most cordial. There were receptions and balls, golf and other amusements at the various country clubs, teas, luncheons and dinners, automobile tours, and all the numerous attentions to comparatively trifling details which yet in the aggregate have so much to do with the success of a meeting of this kind.

But the crowning event of all was the visit to Longview, the country estate of Mr. R. A. Long, a wealthy Kansas City business man, and director in the Southwest National Bank of Commerce. The trip from the city was made by automobiles—over a thousand being required. Over splendid roads, through a picturesque country, the journey in the fresh September atmosphere to this magnificent estate was in itself an experience long to be remembered. Arriving at the farm, a box luncheon was served to each guest and then everybody inspected the various points of interest on the estate until the early afternoon, when the guests assembled at the club house and adjoining stand to witness the splendid horse show and races. A large part of the farm is devoted to the breeding of fine horses, and the display given the visiting bankers was one of exceptional excellence and interest.

No small part of the entertainment at this convention was the opportunity

R. A. LONG
WHO ENTERTAINED THE BANKERS AT HIS COUNTRY PLACE, "LONGVIEW"

given the visitors to see the many beautiful residence streets, the boulevards and parks. In these important aspects of civic life Kansas City has reason to take great pride, because they evidence that with the city's wonderful growth in industry, commerce and wealth, the development of those things which make life worth while is not neglected.

From every standpoint, in entertaining the convention of the American Bankers Association, Kansas City made good, and more.

SOME OF THE THINGS SAID

THE solid character of many of the addresses and reports presented at this convention would make a valuable volume of bank literature. From this great mass of excellent material a few selections appear below.

ANNUAL ADDRESS OF PRESIDENT JAMES K. LYNCH

IT is obvious that we have overworked the word "reserve." Gold is the only true reserve, for it pays debts in any civilized country and under any conditions. Under ordinary circumstances, balances carried with corresponding banks form a convenient method of paying our debts to depositors, so such balances have been called reserves though they cannot properly be so designated. Balances with the Federal Reserve banks are now legally entitled to be called reserves and yet they fall short in the final test—availability in all countries and at all times.

* * * * * *

The check collection plan is a part of this subject which touches many of us. Panics seem far away, though we should remember how quickly they arise. International finance has but little interest for the country banker, little apparent interest I should say, for to him as to all others it is vitally important that the seas be kept open for the shipment of goods, and the avenues of credit be kept clear to the end that the producer may be paid for his produce.

My sympathies are strongly with the country banker who is contemplating a loss of revenue through the operation of this portion of the Reserve Act. To my mind, it is pointless to compare the removal of exchange charges to the removal of toll gates from the highway. The transfer of funds is a service which is as much entitled to compensation when made by a bank, as it is when made by an express company or by the post office. But exchange charges on drafts sold are not forbidden, nor is a collection charge on mercantile drafts and notes interfered with; the one service which member banks are called on to perform without pay is to remit for checks drawn on themselves at par. There has been no uniformity about charges; some banks have always remitted at par for checks drawn on themselves. In some towns and even in some states, this has been the general rule, and I believe that the banks following this rule are generally the most prosperous, not always because they have remitted at par, but certainly the two things have gone together. High charges, on the other hand, have usually originated under pioneer conditions which justified them, but in too many cases the charges have continued after the conditions which made them necessary have passed. There is no place within the

JAMES K. LYNCH
EX-PRESIDENT AMERICAN BANKERS ASSOCIATION

continental United States where a charge of one per cent. is legitimate, and yet there are places where such charges are made. Where banks have grown to depend on charges of this character for a considerable part of their income, there is obviously no room for a bank unless a complete change in policy should have the effect of building up a deposit line that would give the bank a legitimate income.

We must all recognize that improved transportation, lessened time in transit, reduced insurance and express charges, together with competition, have worked to reduce or eliminate exchange charges, and that the Reserve Act is doing no more than to hasten a process which was already well under way. If the check collection plan now published, or some modification of the plan, provides a more economical way of

collecting checks than the one now in use, it will inevitably succeed. If it does no more than diminish the amount of float and cut out the roundabout methods of collection, now used to minimize charges, it will succeed, and our opposition puts us in the position of workingmen objecting to labor-saving devices.

Nothing in the Federal Reserve Act, or in any other law of the land, determines the amount of free service which the banker must render to his client; that will be based in the future, as it has been in the past, on the value of the account.

* * * * * *

War tries the souls of men, and even a war in which we are not directly concerned has searched ours and found us wanting. We lack in national spirit, in national unity, perhaps in national nerves. We are given to boasting of our size, but when we are no longer capable of feeling pin pricks in our feet, are we not too large? For years our citizens in Mexico have been subjected to murder and the most untellable outrage, and the national consciousness is barely aroused. Not in Mexico alone, but within our own borders as well as on the high seas, have our people on their lawful occasions been done to death while the nation has slumbered or murmured feebly in its sleep.

I am sure that Missouri is misrepresented when it is said that the middle of the country cares nothing for a navy, because it knows that even the most powerful of modern guns will not reach that far. But, seriously, is there not some truth in the jibe? Do you fully appreciate that the bombardment of San Francisco, the invasion of Texas, or the landing of a force on Long Island is also the invasion of your own state? Yet each of these events is as much a possibility as any one of the impossible things which have occurred since August, 1914.

It is easier to point out what is wrong than to tell how to remedy the wrong, but there are certain fundamentals that are so plain that none can ignore them. As a nation, we have grown rich, and have grown fat, and have grown soft, and we are today the most tempting prize under the blue canopy of heaven.

If as a nation we are sick, it is as individuals that we must supply the cure. We are ourselves to blame, not Congress, not the government, but just we Americans. Congress does not lead, but follows public opinion. First of all, we need co-operation, team work, the things that win in any line of human endeavor, and to secure this there is nothing quite so good as universal military training which arouses national feeling and national consciousness as nothing else can do. Our educators are already demanding this training as a remedy for the excessive individualism of the boys who have an exaggerated idea of their importance and of their rights, with a deficient sense of their responsibilities and their duties. As has been aptly said, it is as absurd to have some men volunteer to fight the battles of the Republic as it would be to have some men volunteer to pay the taxes. Let the burden of military service rest on all, rich and poor alike, and then it will not press unduly hard on anyone, and if war should come, it will not be the best and bravest and most generous hearted that will be first sacrificed, but each will go in his turn.

The primary purpose of a government is to provide adequate defense for the country governed, and how shamefully this purpose has been neglected under one administration after another is a familiar tale. Should our people demand that the army be disbanded and the navy scrapped, the position would be consistent, but to consent to an army pitifully inadequate and to a navy that dooms our boys to hopeles defeat and certain death is not the American way of doing. In fact, America is not awake; her people have been busy getting rich and her legislators have carried village politics into national affairs, and have busied themselves with petty improvements and meddled with the business concerns of the citizens, without a clear idea of the harm they were doing or an understanding of the world problems requiring solution. We need the industrial organization of the country, and we must in some way cause our legislators to understand that our steel mills, our railroad systems, our ship yards, our factories and our shops are to be encouraged and developed to the end that they may serve the nation. If the government finds it necessary to build an armor plant or a gun factory, it should be to supplement the private factories and not with the fatuous idea of putting any of them out of business. There is enough work for all before this country can be deemed adequately protected.

THE NEED FOR A UNITED NATION

F. A. VANDERLIP,

President National City Bank, New York

THERE has rarely been a time when there were more subjects of interest which might be chosen for discussion before a convention of bankers. We have had two years' experience with the Federal Reserve Act, a law which introduced factors fundamentally novel to our banking system. One might well stop at this time and make some attempt to appraise this law in the light of the experience which we have had

with it. It would be interesting to inquire just what its operations have demonstrated, just how it has commended itself to the experienced banking judgment. One might well inquire whether an banking system where the membership is almost wholly compulsory, where scarcely a bank which has been permitted voluntary choice has chosen to enter it, has been established in its permanent form; and it would be pertinent to inquire in particular whether a banking system half Federal and half State, half held together by compelled membership and half free from the authority of the Federal governing power, is permanent.

You are familiar with one of the great utterances of Lincoln, when he said:

> "I believe this Government cannot endure permanently, half slave and half free. I do not expect the Union to be dissolved. I do not expect the house to fall; but I do expect it to cease to be divided. It will become all one or all the other."

Would it be improper to paraphrase that great utterance in discussing the present position of our banking system? Can a banking system endure, half compulsory and half free? Must it not become all one thing or all the other?

We all quite frankly understand, of course, why practically no bank has voluntarily subjected itself to the action of the Federal Reserve Law. It is no secret why state banks decline to become members of the Federal Reserve System. They are apprehensive of the sort of regulation which has recently been imposed upon national banks. They are not desirous of subjecting themselves to the sort of autocratic supervision under which the whole national banking system has grown restive.

I am not, however, going to discuss the Federal Reserve Act nor Federal supervision of banking. I am not going to discuss the fallacy of decentralization which has been a controlling motive in much recent legislation and regulation. Had I chosen to discuss the Federal Reserve Act, I would have reached a conclusion that it embodies sound fundamental principles too valuable, indeed, too essential, to our financial life to be abandoned, the free working of which, however, has been entangled and hampered in its inception by political considerations and administrative attitude to such an extent as to endanger the success of what should rightly be the most important step ever taken in American banking.

I might have chosen for a subject the sensational influx of gold that seems dangerously likely to submerge us in our own prosperity. It would be most interesting to attempt an analysis of the ultimate effect on prices, on our national welfare, of this unprecedented accumulation of reserve money. It would be worth while to study what is likely to be the ultimate effect upon our money market of this importation of gold, as well as the potential possibilities for inflation in the Federal Reserve Act itself. It would be interesting, too, to speculate on the effect likely to be manifested in money rates and in the distribution of business following the creation of the new

F. A. VANDERLIP

PRESIDENT NATIONAL CITY BANK, NEW YORK

types of credit provided by the recent laws authorizing domestic acceptances and the mobilization of farm loans.

I should be glad to speak about international trade and banking, subjects full of vital and pressing interest, presenting an insistent demand that our bankers begin to think internationally and that we all better understand the principles of the science of banking. The subject of the better training of men for the wider field that American banking is to occupy is, in itself, of great importance. It would be well worth while to give consideration to the matter of the relation of bankers to the present opportunity and demand for the foreign investment of American capital, to the in-

clination of capital in this country to seek employment to a reasonable degree in foreign fields not subject to the tendency toward unwise regulation that is encountered in some of our political tendencies. Or one might go further afield and attempt some analysis of what the vast expenditure of wealth, the creation of incomprehensible totals of national indebtedness, the gigantic issues of paper currency and the depreciation of national monetary standards which we are witnessing in Europe, are likely to mean to the world at large and to us in particular.

These are a few of the fruitful subjects that might well engage our attention as bankers, but there are times in the world which call men away from their personal and immediate interests. There are periods that compel them to think together of fundamental things. Surely the present is such a time. It seems almost idle to discuss the working of banking statutes when we can discern, even though dimly, the working of great laws in the statute book of human nature and society, whose action is so fundamental and important as to make our men-made laws and their workings seem inconsequential in comparison. We are in a time when it is of the utmost importance that we think socially and fundamentally. These are not days when we can give our thoughts exclusively to our business, to our immediate affairs. They are days that demand that we think nationally and internationally rather than individually or as a business class. We are confronted by an insistent need for comprehending fundamentals.

Society in its international organization and relations seems to have broken down. The most highly civilized nations of the world, those most advanced in learning, most enlightened in culture, most efficient and practical in affairs, are turned aside from all the achievements which signify progress and are grappling with each other in a veritable death struggle. Primitive impulses seem as strong as they ever were at any time in the world's history. Without any discussion of the relative responsibility for this outbreak, the fundamental fact appears to be that the world is yet deplorably deficient in social capacity. Nations cannot live beside each other without fighting out questions of supremacy, without raising issues that lead men gallantly to make every sacrifice of effort, of wealth, of life, at the dictation of government. Then there is the further result of national hatreds engendered which will last generations beyond any pact of peace that can be drawn. The world has proven itself to be deplorably deficient in what Emerson called "facility of association"; in other words, in that degree of comprehension which enables men to understand each other and work for the common good. Unquestionably, that ability is the best fruit of civilization. It is that ability that is the chief distinction between the civilized man and the barbarian. Civilization, we have supposed, endowed men with the capacity for organization, with the vision which would lead to a willingness to subordinate the individual to the good of society and thus to the greater good of the individual.

This revelation of incapacity, of undevelopment, which Europe has given, comes as a startling surprise to most of us. It has long been a common warning of the pessimist that human nature is just the same as it has always been—but we have not believed that. To believe it would be to lose faith in the best impulses and visions of life. We had come to feel almost certain that the general European war long talked of had been postponed until it would never occur, that human nature had changed sufficiently so that a better social understanding would prevent it; that the common sense of mankind would make it impossible. In that we have been disappointed. Public opinion in every belligerent country regards the war as a defensive necessity, although the common judgment within each country condemns war. So the war goes on because of the sheer inability of the peoples to come to a state of mutual understanding and confidence, and there is to be seen little ground for hope that the end is near. Fearful as the cost has been in effort, in treasure, and in life, there seems ahead the inevitable tragedy of greater cost, of heavier blows to the fabric of civilization, before anything like common viewpoints can be reached.

The countries engaged in this bewildering contest are not inhabited by some strange, far-away peoples, whose habits of thought and whose social ideas are alien to us, whose mental processes are inexplicable. They are of our blood, the sort of men and women of whom this nation is made up. There are no fundamental differences between us and the peoples of the belligerent countries of Europe. Nothing is happening there that might not as well be happening within our own borders to our own people. It is true that we are more happily situated geographically, that we have a natural defense of broad oceans, but it is true, too, that we must be awake to the fact that we are of the same blood and sinew, with the same incapacities, the same social misunderstandings, the same lack of insight, of patience, of vision, and the same immaturity of judgment that has made it impossible for the people of these European nations to deal with a great crisis except through force.

If ever a people should pause, therefore, and take stock; if ever they should look abroad and profit by the experience of others, should comprehend their national dangers in the light of the terrible realities that are being enacted before their eyes in

other nations, it is now and we are that people.

We must first recognize some of the practical facts of civilization which the last two years have brought into terrible emphasis. War is a fearful reality. It is a disaster that can come upon any people, no matter how peaceful their intentions, how high their civilization, how great their culture. It is a reality for us to reckon with. The modern human mind has not before comprehended what a horrible disaster war may be but there is no reason for not now opening our eyes to it, because its realities are plainly before us. That is why I think there are today matters of such fundamental importance for us to consider that I have chosen to pass over the engrossing subjects directly related to our business life that might have been discussed.

Underneath any question relating merely to business, or even to social welfare, or the relative claims of different classes of society, is the question of our national integrity and the means that it is necessary to employ to insure the continuance of that integrity. In a word, I believe the greatest need of the day—and a need so fundamental as to make other matters inconsequential in comparison—is the need of universal military, industrial and economic preparedness. That does not mean ships and armament alone. We have taken a tardy but substantial step toward remedying the neglect of recent years. That neglect might prove the foundation of a terrible national catastrophe, but at least we have now awakened to action so far as Congressional appropriations go.

Modern warfare is largely a matter of machinery, but more than ever before in history it is also a matter of human organization. A modern soldier must be a more highly trained man than a soldier ever needed to be before. I believe that the surest insurance of peace this country can have is the universal training of its men for military service. I admit that perhaps there is no other subject regarding which I have so diametrically changed my opinions. I once thought you could count universal military service as an economic waste. I feel confident, in the light of the events of the last two years, that it is not only a military necessity of superlative importance, but that our national life would draw a unity, our democracy would receive reinvigoration, and our youth would obtain a physical training and comprehension of the value of obedience and a patriotic devotion to the welfare of the nation, which could be obtained in no other way.

Here in the heart of the middle west I can well see how there has been but partial awakening to the significance of the portentous events of the last two years. I have heard a governor of an adjoining state boast that as his state had no seacoast, his people had little interest in the military madness with which the world is afflicted. Let a man-of-war, with guns that outrange our coast defenses, stand off from New York or San Francisco and levy a tribute as the price of saving these cities from destruction, and the disaster would be as quickly communicated to this great middle west as would the crushed hand or foot to the heart of a man!

I have a vivid memory of our unpreparedness in 1898. The confusion, the inefficiency, the wasted effort, were all humiliating. We have made no advance in trained organization since those days, but the rest of the world has. The scale of military operations to which the belligerent nations have become accustomed sinks into insignificance anything we have known before. In the recent drive on the Somme, the British troops alone lost on each of ten successive days more men than the entire losses of those who fought Napoleon at the battle of Waterloo. The prodigious size of the military machines of the belligerent nations is almost beyond our comprehension. It would be so completely beyond our present combative effort that we might better be forehanded in providing a sufficient number of white flags, if we are not adequately prepared otherwise. Today, we are a nation grown unprecedentedly rich, lying almost unprotected against the invasion of whoever wills to come. It no longer suffices to say that it is unthinkable that, with our peaceful intentions, we could be seriously attacked. The man to whom such a disaster is unthinkable has a defective imagination. He has failed to interpret the great events of our day and is, I believe, dangerous to the welfare of our country.

If we are to have anything like true preparedness, however, it must embrace much besides physical training. Back of physical training there must be moral training. There must be the creation of a public opinion that will think deeply and clearly regarding the great international questions that we are facing. We have need for developing a clear-cut, clear-sighted public opinion that will see things as they are and that will have courage without audacity, firmness without impetuosity. We need to have what we have not now—a public opinion that would not permit a shuffling attitude in regard to international issues, an opinion that would make temporizing in the handling of our foreign relations impossible where fundamental principles are involved. The greatest preparedness that we can possibly have is the awakening of this country to a clear-sighted comprehension of what our relations to the rest of the world today involve. We must have a nation that cannot be lulled to drowsiness by words, but will decisively demand consistent, clear-sighted leadership, will demand a government policy so sincere, so logical, so obvi-

ously the expression of a firm and united nation, that there can be won back the respect for the United States, and even the friendship of the other nations of the earth.

This means not only clear seeing and right thinking, but it means a moral awakening which will lead men to make decisions that entail sacrifice when such decisions are required. It means that we must recognize that questions of money-making, of prosperity, of the division of profits, are superficial and trivial compared with the deeper and encompassing problems of our national relationships.

Misunderstandings between nations are not the only misunderstandings that threaten society and impede progress. There may be within a nation such misunderstandings. I believe that one of the most portentous signs of the times is the evidence of such misunderstandings within our own nation. The very foundation of the social structure may be shaken by class antagonisms and those antagonisms may be inspired by mistaken views of class interests. I believe that such antagonisms could be largely dissipated by a clearer understanding of the economic and social factors involved, and that the highest duty rests upon us, first, to understand those factors ourselves, and then, with all the influence that we have, to spread that understanding through a wider field.

The fallacious idea that there is an inevitable conflict of class interests is urged by thousands of persons. They may be earnest in their belief that there is such an inevitable conflict of class interests. Most of them, however, are uninformed, prejudiced, fanatical, but dangerously effective in their agitation. The propaganda goes on around us with tremendous force and it is not receiving from men like us the attention which its mischievous influences demand that we give it. It is the same sort of fallacy, the same type of narrow and misguided spirit, the same want of insight, sympathy, and understanding, which, working in one nation as against another, brings on war. It is my belief that war itself is scarcely more dangerous to a nation or more deadly to industrial progress than are some of the influences that are at work within our own boundaries.

If there is loss to the community in having men withdrawn from industry to take part in the activities or the deadly conflict of war, then there is loss in having the efficiency of men curtailed or diminished in any manner. The moment that proposition is stated we are face to face with the fact that a large proportion of our people do not understand that the community, as a whole, is interested in the increase of production. There is, on the contrary, a prevailing idea that the wage earning class is interested in restricting production. They hold to that view because they believe that the employer is a natural enemy, or more often, that there is not enough work to go around to all laboring men, and, therefore, that it should be made to go as far and last as long as possible, either by shorter hours or less efficient days. It is easy enough to see how such a fallacy has been bred by the alternating periods of activity and depression in the past. It is, of course, one of the greatest of all economic fallacies. There could scarcely be a greater drag upon industry or a greater impediment to general progress than to have such an idea fixed generally in the minds of men. Such a fallacy generally held is actually worse than war, for when war runs its course, recuperation can follow, but when the idea of restriction of production as a means to secure individual prosperity becomes fixed in men's minds, it has the same effect upon production that a perpetual drought would have upon grain fields.

However natural it may be to feel impatient with the man who honestly holds such views, impatience is useless. As long as he holds these views, he will act upon them as you or I act upon our views. His opinion is a fact to be dealt with. It is as real as a mountain where you want to build a roadway. In the case of the mountain, we do not get impatient, but we endeavor to survey it and find a way over or through it. Fortunately, erroneous opinions, however stubbornly held, are more like an ice bank than a mountain. They will eventually melt away and disappear before the truth—if not in one generation, in another. Understanding of economic laws seems to me almost the greatest need of our day. No body of men will act contrary to their own interests when they know what their interests are. The spread of a sound comprehension of economic laws seems to me, therefore, one of the greatest duties that go with the responsibilities of bankers.

Organized industry is necessary to our present standard of living. We cannot live apart or provide wholly for ourselves; we must work with others; we are obliged to be partners, and in a partnership each is bound to do his level best. Whatever controversies there may be about wages or other divisions of the product, there ought to be agreement upon honest, sincere effort to increase all production for the common good. Not to co-operate to this end is to be disloyal to the community. It weakens the system by which progress must be achieved, and upon which the welfare of all who come after us depends. There is an obligation and responsibility here of the most binding character, and the people who best understand this principle will surely lead in world affairs.

It is the duty of every one of us to do what we can to induce wage earners to examine their relations to the industrial system as a whole, and to be loyal to the industrial system as a whole, rather than to

any narrow and mistaken opinion of class interest. The whole idea of separate class interests is an illusion and, if cherished, fatal to the welfare of all classes. You cannot make food, coal, clothing, housing, transportation, or even automobiles, dear, with benefit to any class, and least of all to the wage-earning class. I would appeal, however, with equal energy to the sense of loyalty and responsibility of the employer. By virtue of his position he has a larger outlook than the wage earner at the bench, a more intimate contact with affairs, and his responsibility is correspondingly greater. He ought to be so consistently loyal to that responsibility that his example will spread the doctrine. I would urge nothing impracticable or revolutionary, but simply that policy of fair play which, when established in all relations, will rid business life of suspicion and reproach. There can be no radical or sweeping change in industry, but changes beneficial to all can be hastened if there is the vision to prompt it. The entire community is interested in safeguarding the health and promoting the vigor, skill and efficiency of all of our people. Wherever we are related to that problem as employers we have a duty to perform, and wherever we can deal with it as citizens we have another. We have to see to it that the new generation of industrial recruits come to their work with a better preparation, physical and mental, than did their predecessors. This is for the common interest.

Nobody can make as much money in a poverty-stricken community as in a rich community. If everybody in the United States could be kept in health and completely employed all the year round, and made skillful in some occupation, the volume of business and the rise of wages and profits would outstrip the records of this war boom, and it would be permanent business.

We hope that in this organization of industry which is progressing, means may be found to maintain a better state of balance in the industries so that the extremes of activity and of depression, and the distressing periods of unemployment, may be mitigated. One of the great economic losses that falls upon a community follows from this lack of balance. The waste to the community that comes from having able-bodied men in idleness is perhaps even a more serious waste than results from having able-bodied men under the discipline of army life. No problem is more worthy of investigation by associations of business men than this one of reducing by more even production the amount of idleness, voluntary and involuntary. The most practical effort toward solving this problem of unemployment has followed the organization of industry into stronger units. Industry so organized is equipped with greater reserve resources. Large industrial units tend to steady both prices and production and to give greater regularity to employment. If this were more clearly understood, it would offer a potent argument against government interference with economical large-scale production.

The most important economic factor in industrial organization today is the equipment with which men work, the machinery, the material industrial plant. The mechanical plant multiplies the workman's capacity over and over. It not only multiplies his capacity, but, as a rule, enables him to do the work more easily. Compare the manual labor, the toil necessary to produce a bushel of wheat or a ton of steel with the effort necessary fifty years ago. Everywhere in industry we see this process of increasing the productiveness and easing the toil of labor by providing better tools. This improvement of industrial plants is clearly in the common interest. Every man works for the common fund. If a community were hiring a man to cut its wood, it would not deliberately send him out with a dull ax. Just as truly is it of importance to the national community to be equipped with industrial plants of the highest efficiency. No man should work without a tool if a tool can be devised to increase his capacity or reduce the expenditure of effort to attain a result.

But tools cost money. Before they can be had, there must be a command of capital. They represent savings. It is the new savings, the new capital, which pays for the experiments, develops the new machinery, builds the new industrial plants, and thereby creates the additional demand for labor and increases production.

Now, in this connection, I should like to make a point that I believe would be of great national significance if it were generally understood. Every time a workman puts a dollar in a savings bank he has contributed to increasing the wage fund. With the new capital thus created there will inevitably be additional money to pay out in wages. If we will but trace the process we will see that its action is automatic, certain, inevitable. If the fund of capital seeking investment increases, and every dollar put in a savings bank does increase the fund of capital seeking investment, the result of that increase in capital must necessarily be further industrial development. It is true that the savings bank may, in the first instance, invest these dollars, let us say, in an old railroad bond, issued many years ago, the original proceeds of which long since went into construction, but somebody sold that bond and, in turn, had the new capital fund for reinvestment, and somewhere along the line inevitably this new capital must go into productive activity, and in so doing must make a larger wage fund upon which labor can draw a new

demand for labor. Now we are in a period when the destruction of the world's capital is going on at an appalling rate. Is it not, then, of the greatest importance that every effort should be made to replace this destroyed capital? There will be great need for capital in the years to come when reconstruction is going on. Our command over capital is of vast importance to the comfort and welfare of our people. If we could impress upon every workman that he will contribute directly and inevitably toward an increased demand for labor and that he will add to the wage fund and tend to increase the rate of wages by every dollar of savings, I believe it would have a profound effect upon our national welfare.

But the argument in regard to fresh capital may well go further than that. While a dollar saved by a workman helps to give to some workman a job, so does every other dollar of savings, whether it comes from wages, or interest, or profits. The economic effect of a dollar saved and invested is just the same, whether the owner is a wage earner, an employer or an heir of inherited wealth. Income, however it originates, that is saved and put to reproductive uses, performs an inevitable service for society. Every form of savings finally seeks investment, and if you will follow the investment through to its ultimate reaction, you will see it putting men to work, you will see it enlarging the agricultural, the industrial, or the transportation equipment of the community, you will see it creating new demands for labor, raising the rate of wages and increasing the production of things which men desire. If the savings are devoted to reproductive purposes, it makes no difference whether they are the savings of the workman or the millionaire. They ultimately accomplish the same result; they increase the supply of things that the whole community wants.

If that view is sound, it demonstrates that there is a fundamental unity in society which no power or conspiracy can do away with. Individuals may be selfish, they may scheme for personal and temporary advantage, but whatever gains they make, in so far as they are saved and turned into reproductive capital, react to the benefit of the whole community. If there is such a fundamental unity in society, then any class conspiracy to gain advantage for that class is futile. The employing class is dependent upon the wage-earning class for a market. The farmer cannot eat his own crop, or employers trade goods with each other. If there is increased production, it must go to the only possible consumers, the masses, and none can be so interested in every movement that will increase production as the masses.

People talk vaguely and sympathetically about bettering the condition of the wage-workers, too often with little comprehension of industrial conditions. They treat it as a matter of sentiment and choice, instead of what it is, viz., a result dependent upon more effective organization and a more harmonious spirit in industry. The betterment of industrial conditions will come in the future as it has come in the past, by increasing the individual output, never by policies restricting the output.

We have heard a good deal about a "new freedom." I tell you that any new freedom that seeks to make conditions where inefficient managers of business can successfully compete with enterprising and capable managers of business is a dangerous sort of freedom. Any system which aims at hampering the enterprising and the capable, circumscribing men of vision and originality for the purpose of protecting and supporting other men who lack those qualities, is not only vicious in its morals, but is bound to be disastrous in its economic effects, in just the proportion that it is successful. Inefficient employers are not the ones who raise wages. They could not raise wages if they would. The important thing in our industrial life is not that any particular individual or concern shall be kept in business, but that business shall be so conducted that production goes on in the most economical manner. We frequently make the mistake of putting too much emphasis upon the division of present profits and too little emphasis upon the development of industry. Suppose a man of superior skill with the aid of large capital and the introduction of the most efficient methods does make a great fortune where none existed before, who really profits by it? The answer is that society will get all of it that he does not eat or wear out. His savings, just as much as the savings of his humblest employee, must find their way into reproductive employment. The industrial plant somewhere will be increased. Production will in turn be cheaper and society will be the gainer.

I believe in the essential unity of society the world over, but I hold it to be no unworthy sentiment to have a special interest in the development of a spirit of unity in my own country. We cannot be one people without a knowledge of our common interests. The war, with all its horrors and burdens for the people engaged in it, is not an unmitigated evil, and one of the benefits is the growth of the spirit of national unity in these peoples. There is no doubt that if all class misunderstandings are not cleared away in the belligerent countries, at least there is better knowledge and greater mutual respect. They have seen each other show the true mettle and make the supreme sacrifice, and the extremes of society are nearer together there than they have ever been before. It will be easier for them to discuss their differences than before, while in this country, on the other hand, there is danger that the antagonisms which vex

and obstruct industry will be intensified by the conditions during and following the war.

Under the pressure of necessity, the British people have become enormously more productive. Industry has been lifted out of the ruts of custom and rule, initiative has had free play, machinery has given new powers to the workers, women have come to play an important role, and organization has been modernized with results that have been a revelation. The war wages cannot be paid upon commercial work after the war, if production falls back to the old methods, but they can be paid if production is maintained by the new methods. There is anxiety about the future, but the best observers do not believe the British workman, now that the demonstration has been made, will go back to the old limitations and the old pay. They believe wages will be bigger and costs lower than before the war, and that the difference in the cost of production may offset the interest on the war debt. The cost of living is high there now, owing in part to the high freights on all importations, but after the war is over these costs will decline rapidly, and if wages can be kept at the present level the condition of the wage-earning class will be better than before.

Will industry in the United States make the same progress? There is warning in the fact that adversity is usually a better teacher than prosperity. The latter comes by fortuitous circumstances and we enjoy it, relax, and take our ease, while adversity puts men upon their mettle and calls up all their resources. In some respects we shall be stronger after the war. We shall be richer, our productive equipment will be better than ever before, but these will not avail without a spirit of unity and good understanding in our industrial organization. The account we give of ourselves will depend at last upon the men behind the machines. We have an opportunity such as no country ever had to lay the sure foundations of a great future, but we must not lose our heads. We must be an harmonious and efficient people. We must work for our common inetrests, employer and wage-earner striving together, and the Government backing them up as it properly can. We must not be so intent upon dividing the proceeds of present prosperity that we fail to safeguard its permanence.

To just the degree that each of us is wise, it seems to me that we should each see that at the present time we have some extraordinary duties of citizenship, duties that transcend in importance and are more fundamental to the welfare of ourselves and our children than any of those things that may seem more closely related to our business lives. These duties of citizenship involve the giving of serious thought to the vast currents that are shaping our affairs today. It is the personal duty of each of us better to understand our relations to these world movements and to bring to the decisions regarding our national attitude a fine spirit, a spirit of courage and determination to uphold our own just rights and if necessary to make present sacrifice for future welfare. We should open our minds to the facts of life as they are presented today in our affairs, recognizing that, no matter how rich and brave a people may be, they cannot meet organized opposition without adequate preparation and organization of their own, without reasonable preparation for any contingency.

While on the one hand we are turning our attention toward foreign relations, we should, with proper sympathy, but with sound economic understanding, seek to harmonize those differences in our own social order which may become more dangerous than anything that threatens us from the outside. Seek to have yourself and to help others to have a true spirit of unity. That spirit is the natural result of knowledge that our interests are mutual and interdependent. There are few things more important to this country today than that such knowledge shall be disseminated. If the leaders of industry understand it themselves, they can disseminate it. The wise business man does not quarrel with difficulties; he makes a study of them and overcomes them. If he cannot overcome them, he is not a successful leader, and someone else should have his position of influence. It is a rule of the business world to require results; not excuses that put the blame somewhere else. Let us go home with a sense of responsibility upon us, and at our own desks, and in the business men's association of which we are members, do our part to spread a general knowledge of this fundamental truth that all social and industrial activities are thoroughly interdependent and that society's welfare will be promoted in the degree that co-operation and fair play are developed.

EXCHANGE CHARGES, COUNTRY CLEARING HOUSES AND SETTLEMENT OF BALANCES

JOSEPH WAYNE, JR.,

President Girard National Bank, Philadelphia, Pa.

YOUR committee on arrangements has allotted to me the pleasant task of discoursing on the subject of "Exchange Charges, Country Clearing Houses and Settlement of Balances."

I feel that instead of making a business

address on these subjects, I am more called upon to make a funeral oration over the remains of one of our departed friends, as the matters referred to are more or less dead issues, and relate to the business of banking as it was conducted during the Dark Ages existing prior to the time the Federal Reserve Act was thrust upon us by a benevolent Congress.

The question of exchange charges, however, may well be of interest at this time, as the Federal Reserve Clearing Plan has forced upon us a considerable readjustment of exchange relations.

The much heralded par clearing plan does not offer par collection facilities as our customers and the public understand the word par. To them the word implies no costs, but unfortunately that portion of exchange charges formerly based on service and allowance to cover items in course of collection, still remains to be provided for. The Federal Reserve Banks are accepting checks from member banks at par as to exchange, but they are not actually accepting checks at par when making a service charge, and not giving immediate credit for deposit of out-of-town items for reserve purposes. The bank realizing what the par feature of the Federal Reserve Clearing Plan actually means, is the paying bank whose income from collection or exchange business has been legislated out of commission.

The Federal Reserve Act has much to commend it, but one of the most objectionable features in connection with the passage of that Act was the evident intent of its framers to break up the interrelations existing between the banks of this country, on the ground that such relationships were prejudicial to the smaller banks and to the public, but are they?

The banking structure of this country is entirely unlike that of any other country, in that we have over 20,000 separate financial institutions, all endeavoring in their humble way to serve the community in which they may be located. To give satisfactory services to customers, it was necessary for each and every banking institution to have close relations with one or many other banks or bankers, in order to have an outlet through which the miscellaneous checks and other items deposited by customers might be collected. The records of all our older banks show that since the beginning of banking in this country banks have found it necessary to maintain relations with banks in other centers to clear the business of their depositors, and as the country bank has grown so has necessity for more and more connections grown, until we reached the highly developed inter-bank relationships existing at the time the Federal Reserve Act was put into effect. To say that this relationship was a menace to the public and to the smaller banks, as was claimed by sponsors of the Act, was a gross injustice to the bank officials of this country and to the intelligence of the customers they serve.

The checks, drafts, notes and other papers received on deposit on which they may be drawn, and through the channels of our inter-bank relationship these banking papers were presented for payment. The bank making the collection and remitting the funds to the bank requiring this service naturally made a charge for services rendered, and while this may have been termed a service charge it has been known in our profession as an exchange charge. The fairness of these charges was in the majority of cases never questioned, but where so many banks were concerned and such a multitude of transactions involved, some cases of extortionate charges were bound to appear, but this is no reason why our mutual relations should be ruthlessly discarded. You will never get the same personal service through the Federal Reserve Banks that you have enjoyed in your dealings with banks of your own choice. Competition has given us in many ways an ideal system, as your wants have been catered to by banks that were eager to secure your business, facilities have been offered you without charge that you should have been glad to pay for, and as a consequence your customers indirectly received the advantage of the competition existing.

The Federal Reserve Banks have very little interest in your affairs outside of seeing that you maintain with them the reserve required by law and that you pay for any service required. This is all right in its way, as the Federal Reserve Banks have no favorites, and we should each one of us pay for what service we require from them; but are we in America going to eliminate by government mandate all the expenses in business that are the results of competition? Most decidedly not, and if not, why should we be compelled to eliminate from our business a charge for services that produced a revenue for facilities extended?

City banks charging customers on out-of-town items, generally computed exchange rates on a basis of service expenses, plus loss of interest in transit, plus charge made by the bank remitting. The charge made by the bank remitting being figured on the cost of shipping cash to its reserve agents, plus service, and a small allowance for profit. On this basis the only bank making a profit was the bank actually making the charge for remittance, as the bank charging its customers on the deposit of out-of-town items merely exacted the cost it incurred in converting out-of-town items into bankable funds. The only change effected by the Federal Reserve Clearing Plan is to deprive the remitting bank of any opportunity of profiting by the transfer of funds from point to point, as this may now be accomplished through the clearing plan at par as

to exchange by the elimination of the charge formerly made by the remitting bank. That portion of exchange charges based on service and loss of interest in transit has, however, not been eliminated, but has been augmented by the addition of the service charge made by the Federal Reserve Banks. The result being that banks formerly charging exchange to customers on their deposits of out-of-town checks have been able to reduce charges somewhat but only at the expense of their out-of-town banking friends.

It is also well to remember that the collection facilities available through the Federal Reserve Banks cover checks only, and that our banks must continue to maintain expensive collection departments and facilities for clearing checks that will not be accepted by the Reserve Banks, and for the handling of notes, drafts, coupons, etc., all of which are a vitally important part of the service demanded and required by your customers, and a service for which a bank must in some way receive compensation.

The purpose of incorporating in the Federal Reserve Act a Clearing Plan was to benefit the smaller banks and the business community at the expense of the larger city institutions. The Act has, however, evidently missed fire, as the only organized opposition to the enactment of the No Exchange Clearing Plan has come from the country bankers, who are being deprived of income from collection business formerly handled for the Reserve and other city banks.

The plan for clearing checks on member banks, and other financial institutions that have charitably agreed to abide by its requirements, has been effective since July 15 last. As a consequence exchange charges bring up a very sore subject to many bankers, as the charging of exchange was up to a few months ago considered a just recompense for services rendered, and the income derived from these charges was part of the legitimate income of a considerable number of our banks, and one that was fairly earned.

The exchange relations existing between financial institutions were the outcome of years of competition and competitive service, and very few of the large army of depositors in our banks, outside of those in some of our larger cities, were aware that any expense entered into the collection of checks and other items passed to their credit at par.

The collection business of this country cannot be handled without expense, the only question is—who is to foot the bill? Theoretically the customer depositing the checks or collections should pay for the service required, but in a great majority of cases competition has ruled otherwise. The business of a customer maintaining a valuable account has been desirable, consequently in consideration of his paying business banks have been willing to accept his deposit of out-of-town items at par, notwithstanding the fact that the bank may have been put to considerable expense in collecting his business. Banks maintaining desirable accounts with other banks in reserve cities have received similar treatment, not that there was no expense attached to collecting

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deposits of out-of-town items, but this expense could be absorbed by the city bank if adequate balances were maintained. Again, in order to secure and properly serve out-of-town bank accounts, "Reserve City Banks" were of necessity obliged to open collection accounts with banks at other points, where they had items to be cleared, and were willing to allow a commission or exchange for the facilities they required, as they could hardly expect to obtain them in any other way. All this accrued to the benefit of the out-of-town or country banker at the expense of the city banks.

The practical working of the Federal Reserve Clearing Plan results in the customer of the city banks or the city bank itself being relieved of a great part of this expense and eliminates the profit formerly made by the country banker out of the

city banker, in consideration of the services the country banker was able to extend.

This beautiful Clearing Plan may be theoretically perfect and the last word in banking, but I do not approve of it for the reason that it tends towards taking the initiative out of our business. Add to the Clearing Plan a guarantee of deposits, regulate the interest we may allow on deposits, and fix the rate we must charge on loans and your picture is complete, but you have taken the pep entirely out of our business and we become mere automatons.

The Federal Reserve scheme at present reminds me very much of a graveyard. Many of those within would prefer to be without, and there is nothing very alluring within its scope to encourage state banks and trust companies to enter, but there is hope —even the most unattractive graveyard presents possibilities. My opinion is that the Clearing Plan never should have been incorporated in the Federal Reserve Act, and further, that the Act should have permitted banks to maintain a portion of their reserve with other banks, so that our inter-bank relationship might not have been disturbed and the collection proposition left to the individual banks to handle.

The country clearing-houses that were being organized throughout the country were taking care of the check collection proposition long before the Federal Reserve Act butted in, and the bankers of the country could have settled their own exchange matters and at their own expense or at least at an expense to their customers commensurate with service extended.

I don't think it necessary to dwell on the subject of Country Clearing Houses for the collection of country checks, as conditions in different parts of the country vary widely, and what would meet the situation in Boston, New York or Philadelphia might not be adaptable to Kansas City, St. Louis or San Francisco. The bankers in any center have the brains and the knowledge of conditions to meet their local needs, and we were progressing rapidly towards consummation of a comprehensive collection system among ourselves before the Federal Reserve Act appeared in the field.

There is very little to be said concerning Settlement of Balances, usually the only thing to do is to pay what you owe in currency or in exchange that will be acceptable to the creditor bank; when this has been done the settlement of balances has been accomplished, at least to the satisfaction of the creditor bank.

I would like to say a word concerning our inter-bank relationships and their value. The banks of this country are so closely woven together for their own protection and their mutual welfare, that in my opinion it is going to take more than one Federal Reserve Act to make them dependent upon Federal Reserve Banks for all the facilities they now enjoy through reserve and other similar connections. When the act is in full effect, and deposits with other banks become mere due from banks, the real test will come, but as none of us can afford to keep larger balances with the Federal Reserve Banks than the law requires, we will still retain accounts to some extent with banks for the double purpose of securing interest on idle funds and of securing the judgment of our banking connections on the question of credits and investments.

The banks in our larger cities have found it necessary to have highly specialized departments for the securing and tabulating of credit and investment information, which is theoretically at the service of their depositors and correspondents, but practically at the command of the entire banking fraternity. The Federal Reserve Banks can't replace this service, and it cannot be maintained by us at its present efficiency if all deposits by banks should be transferred to the reserve banks. The profit of inter-bank relationships has been responsible for this valuable adjunct to bank equipment.

Then again I think it would be a very serious matter to the business community if the reserves of all banks and trust companies were transferred to the reserve banks. These reserves constitute a large portion of the loanable funds available for investment by banks in commercial paper. Take these reserve funds out of our banks and you will seriously curtail their loaning ability to the detriment of the borrowing public.

If all bank reserves were transferred to the Federal Reserve Banks, the only way the funds could get back into circulation would be by the direct purchase of paper or loans by the reserve banks themselves, or by our buying the money back by rediscounting. The business community generally would prefer to have the purchasing power remain with the individual banks, and the banks would be very reluctant to rediscounting heavily in order to have funds for investment in commercial paper.

From the standpoint of the bankers, what is wrong with the Federal Reserve Clearing Plan? It only appeals to a few banks in the larger cities that never had any real collection facilities of their own, and to banks outside of the reserve cities that receive from their customers more items to be cleared than any of their reserve connections are able to accept at par, on balances maintained with reserve city banks.

In the first place, the army of small banks suddenly find their revenue from collections practically cut off. When considering this it is well to remember that these institutions have a place in the banking world. The establishment of these small banks has been encouraged by national and state authorities. They serve communities where the possible income from loans is not sufficient to meet running expenses, so what incentive

will there be to invest money in these small institutions?

To the numerous larger and well established banks it simply means cutting off revenue any banker is justly entitled to receive from a department of his bank that takes expensive equipment, time and money to properly run.

To the banks handling reserve deposits, it is also quite a serious matter; these banks after years of hard work, secured at last extensive collection facilities to handle the business of the country. The Federal Reserve Act will practicallly transfer reserve deposits from these banks to the Federal Reserve Banks, forcing on us all, whether we like it or not, a collection system that no individual bank can hope to compete with in efficiency or as to cost, exchange being arbitrarily eliminated.

Reserve city banks are now finding their well established collection arrangements a burden, instead of an aid to their business, and the result is bound to be a curtailment of these banks' activity in the collection field, at a direct loss to all banks concerned.

There is one thing that we must bear in mind, if we don't like the Clearing Plan we don't want to pour our displeasure on the heads of the Federal Reserve Board or on the officers of the Reserve Banks.

The plan is incorporated in the Federal Reserve Act and there it will remain until it is removed or amended, and the board and reserve bank officers can't be blamed for complying with its requirements.

Do we intend doing anything relative to this exchange matter? There has been a lot of idle talk about making checks circulate on the same basis as bank notes or other real money; it can't be done. A check is a check, and it always will be, and is not money until it has been presented at the bank on which it is drawn and real money given in exchange.

In arranging for this conversion and carrying it through, the banks of this country are most certainly entitled to compensation; the principle of private capital being compelled by law to furnish for nothing, to other privately owned business, facilities entailing a cost to the first named, is all wrong.

Carried to the extreme, as it may well be, it can only result in the withdrawal of capital from the business affected and its investment in more lucrative ventures.

In other words, I feel that the almost unlimited competition in the banking business precludes the idea of the business community being unfairly dealt with. Appreciating the good features of our esteemed but much abused Federal Reserve Act, I am very fearful that it is only the first step towards endeavoring to place the banks of this country under the control of those who have very little interest in the development of our institutions, but who are more interested in throttling individual activities on the part of those capable of serving the community, not only to its entire satisfaction, but to its greater advantage.

HON. JOHN SKELTON WILLIAMS,

COMPTROLLER OF THE CURRENCY

WE have become responsible for the future of the human race. This republic is the hope, the refuge, the one unshaken edifice among all that mankind has built. You have a homely—and I hope a familiar—illustration in your pockets. Each of you has some paper money. I venture to say that not a man here has looked to see whether the notes in his pocket are issued by a national bank on the Pacific or the Atlantic Coast or in the most remote country town. All any of us look at is the denomination and the "U. S. A."—the United States of America—the signature of our "Uncle Sam." We know that stamp and signature make that piece of paper as good as solid gold, not only here, but every-

HON. JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

where in the world. And it is virtually the only paper money that is received everywhere in the world today as representing its full face value in gold. Our dollars are the good dollars and the dominant dollars. It is for you gentlemen, controlling the powerful banking interests of this supreme country to determine whether these dollars of ours shall prey upon the world with teeth and claws, or shall have souls put into them to upbuild, to help to heal the horrible scars of war; to lift the stricken to strength and hope. In this connection some one has prettily said that "By doing good with his money, a man as it were, stamps the image of God upon it, and makes it pass current for the merchandise of heaven."

* * * * * *

Gentlemen, all of us know the self-multiplying power of money, the capacity of wealth to propagate and increase itself. Huge accumulations of values naturally draw to themselves the lesser masses. Seeing how we have grown in fourteen years from the basis we had in 1902, imagination is baffled by the possibilities for the coming fourteen years from the basis we have now. But it is for us here to keep steadily in our minds that the only real wealth, after all, is the common wealth, that wealth to endure and go on accumulating must be used for the common weal. A superstructure of great fortunes based on a foundation of general poverty and discontent must topple and crumble as surely as a house builded on the sands. We see what we have. We can but vaguely imagine what we will have if we will look carefully to our foundations and be guided by the practical sense represented in the best ideals. The altruistic conception of our duties to each other is not a vapor or a rainbow vision. It will come out right and show satisfactory results under the keenest analysis and the coldest dissection.

By spontaneous, inward growth, by natural strength, by the inborn restless, tireless enterprise and industry and productive power of our people, we have expanded enormously. Certainly no men in the country have done more to bring these wonderful results than the bankers of the United States. It will interest you to know that our national banks are now manned by an army of about seventy-five thousand men, including officers, clerks and other employees, generally able, faithful and efficient, with a payroll of nearly a hundred millions a year, operating on a capital of more than a thousand million dollars contributed by 441,000 stockholders, and having as clients over fourteen million depositors.

Charged, as I happen to be, with the sometimes ungracious and unwelcome task of supervising their conduct of their own affairs and scrutinizing the most intimate details of their business, it is a real pleasure to me to bear witness to the high character, the incalculable usefulness, the conscientious devotion to duty and the breadth of view and purpose of the average American banker. He combines the functions of a driving power and a balance wheel, an accelerator and a brake. Maybe I know as much about him (although I do not wish you to understand from that that I am a Methusaleh) as any man alive; as an American citizen I am pleased to say that I am proud of him. Nine times in ten I take even his most vigorous kicks against my administration as evidence of his self-respect and American spirit of assertion of what he may believe to be his rights.

Please do not construe that statement, gentlemen, as an invitation for additional kicks. I have a plenty, thank you.

A. F. DAWSON,

President First National Bank, Davenport, Iowa.

THE banker has the right to participate in the politics of the nation. He is a citizen of the country. He is not an undesirable citizen, either, usually. Those of you who have had experience before the committees in Washington when the Federal Reserve Act was in process of formation will recall that when it was called to the minds of the members of the committees of the Senate, where this bill was perfected so that it would work, when it was brought to their attention that in the great system of banks in the United States, that in the great Federal Reserve System, if you please, there are something like three hundred city banks and something like seventy-five hundred country banks; and when your member of Congress, as he knows, knows that a country banker is not a member of the money trust, but that its directors are simply an aggregation of the farmers and the merchants in that particular part of the country, who are developing that particular part of the country, I say, when your Congressman understands that, then believe me, he will listen.

W. P. G. HARDING,

Governor Federal Reserve Board.

I THINK you have reached the correct solution of the problem. [Referring to the action of the convention in adopting a resolution asking relief from the ruling of the Federal Reserve Board regarding par payment of checks.]

The board is not a legislative body; its duties are administrative. It is our duty to

W. P. G. Harding
GOVERNOR FEDERAL RESERVE BOARD

carry out the law as enacted by Congress. If Section 16 is unjust it is clearly your right to go to Congress, state your case and request that the defects be remedied. No member of the board desires to hamper the legitimate banking interests of the country. We realize what the banks are doing for the nation. Many are not yet members of the Federal Reserve System and it would be shortsighted for a legislative body to antagonize American bankers. I see no reason why the whole problem should not be adjusted satisfactorily to all when you come to Washington. But Section 16 pales into insignificance when compared with the fundamental principles of the Federal Reserve Act.

SAVINGS BANK CENTENNIAL

ONE of the notable features of the convention was the commemoration of the one hundredth anniversary of the establishment of the savings bank in America. Several of the reports and addresses dealt with this subject, and on one evening an entertaining thrift motion picture play, "The Dollar and the Law," was presented before a vast audience at the great auditorium. The aims of the nation-wide thrift campaign were thus stated by Mr. V. A. Lersner, chairman of the Savings Bank Centennial Committee:

"The nation-wide thrift campaign which your committee has adopted 'has very definite aims in view.' Certain goals of accomplishment have been set, and clear-cut, direct, efficient and economical means have been developed for reaching them. The sole aim of the campaign is not the mere gathering into banks of pennies, dimes and dollars. One aim, it is true, is to attract to the nation's banks a million new savers and ten million better ones. To put renewed purposes behind those millions of accounts already started, too many of which are inactive. To acquaint people with the purchasing power of money. To show, by example and precept, how to handle money wisely—to encourage better habits with money. To encourage people to get the most out of their money; how to make their money earn more money. Through education to make the get-rich-quick promoters' efforts barren of results. To teach the cardinal principles of sound investments—what to do with money after saving it. To help people gain a mastery of the will, give direction to their purposes, conserve their energies and follow the safest route to success. To stir new ambitions in a hundred million human breasts

Victor A. Lersner
CHAIRMAN SAVINGS BANK CENTENNIAL COMMITTEE

and kindle the fires of achievement. To bring the people on closer terms of intimacy with the banks. To supply, in a measure, what is sorely lacking in our educational system that the youth of the land may approach their life work better grounded in the rudiments of finance. To establish new ideals of thrift in the home. To cultivate money sense in the potential, the future bearers of the burdens of business. To forestall in a great measure dire circumstances in the lives of millions who are treading their way toward their destinies. To help people who have a leaning toward thrift to make a life habit of it. To bring the prosperous into more intimate relationship with banks. To inspire owners of indifferently managed savings accounts with a new and lasting zeal. To increase buying power by adding interest income to personal earnings. To make the renter a home owner. To furnish constant impulses and inspirations, not to any class, but to all classes. To prompt those who are prospering to save against adversity. To teach people to conserve waste, to be saving of things that cost money as well as money itself; to be thrifty with time, energy and material—everything that enters into the daily life. In a word, to help people to find themselves, to make thrift a habit with the individual and a national trait in America."

NEW SECTION ORGANIZED

AS the association increases in membership and the attendance at the convention grows, it becomes necessary to divide the work of the conventions so that each group of banks may be properly represented. While there are many problems in which all bankers have an interest, there are also many special matters concerning only certain banking groups. By dividing the association into sections it has been found possible to devote adequate time to the consideration of these special problems without conflicting with the regular convention proceedings.

At Kansas City a new section was organized—the State Bankers' Section. The national banks, savings banks and trust companies already were represented by special sections. This new section gives official recognition to all classes of incorporated banks in the United States.

THE PAR CHECK RESOLUTION

WHILE approving the fundamental principles of the Federal Reserve Act and expressing loyalty to the Federal Reserve System, the association protests against the provisions of the act relating to the collection of checks, and instructs the Committee on Federal Legislation to endeavor to secure amendments to the act, providing for the establishment of a collection system which is fair and equitable to all banks and to the general public. Be it further

Resolved, That the president of the American Bankers' Association be authorized and directed to appoint a committee of twenty-five bankers, fifteen of whom shall be country bankers and ten of whom shall be reserve city bankers, and that this committee co-operate with the Committee on Federal Legislation in bringing about the enactment of the desired amendment.

TREASURER'S REPORT

THE cash balance in the hands of the treasurer, August 14, 1915, was $36,097.75. The balance on hand September 1, 1916, was $32,264.22. During the year the receipts have been $264,780.46 and the disbursements $268,613.99.

On September 1 the drafts for membership dues were sent out, 15,471 in number, amounting to $246,055, an increase of $10,250 over last year, and 775 in number.

While the income of the association shows a large increase, the expenses are increasing even more rapidly, and this year, for the first time in some years, will exceed the income of the association.

[The association has invested funds of the market value of $114,155.]

SECRETARY'S REPORT ON MEMBERSHIP

AT the time of balancing our books, August 15, 1915, membership of the association stood at 15,010. At the Briarcliff spring meeting this year it was announced that we hoped for an increase of 1,000 members by August 31; and, on the date of closing our books, it is my pleasure to report there were enrolled 16,016 members, representing a net gain for the year of 1,006. Last year the net gain was 290 members. I am sure this result is most gratifying—a record that has been excelled but twice in the existence of the association. In 1901 there was a net gain of 1,113 and in 1912 a net gain of 1,251.

To the state of Oklahoma belongs the credit for greatest increase in membership in the association with 118 new members, a total of 530. Kansas comes second with 111 new members, a total of 741. Nebraska comes third with 91, a total of 483. Mis-

souri is fourth with 73 new members, a total of 611; Iowa is fifth with 70, a total of 678; Illinois stands sixth with an increase of 61 and a total membership of 981; and Texas seventh with an increase of 47 and a total membership of 567.

New York ranks first in association membership with 1,019, Illinois second with 981, Pennsylvania third with 966, Kansas fourth with 741, Iowa fifth with 678, California sixth with 636, Ohio seventh with 621 and Missouri eighth with 611.

The membership and resources of the association have increased as follows:

	Paid Membership	Annual Dues
September 1, 1875	1,600	$ 11,606.00
September 1, 1885	1,395	10,940.00
September 1, 1895	1,570	12,975.00
August 31, 1905	7,677	127,750.00
August 31, 1906	8,383	137,600.00
August 31, 1907	9,251	150,795.00
August 31, 1908	9,803	162,507.00
August 31, 1909	10,682	175,352.00
August 31, 1910	11,405	188,934.00
August 31, 1911	12,072	198,530.00
August 31, 1912	13,323	213,752.50
August 31, 1913	14,100	229,324.48
August 31, 1914	14,720	233,915.00
August 14, 1915	15,010	245,651.00
August 31, 1916	16,016*	262,021.76

*Estimated.

LIBRARIAN'S REPORT

THE original book collection of less than 400 volumes has been increased to nearly 3,000, of which only about 700 have been purchased. Where there were only a few unusued magazines five years ago there is now a row of vertical filing cases containing nearly 40,000 articles, addresses, pamphlets, pictures and clippings, mounted and classified according to the hundreds of financial subjects which they cover. Information which, five years ago, was unavailable to bankers except at great expense of time and money, is now easily supplied from the more than 30,000 card index entries which have been made to periodicals, books, reports and proceedings.

Since the last report, 536 books have been added; 2,907 pamphlets; 11,400 clippings; 460 pictures; 216 advertisements, and 9,836 card index records; while 16,000 items have been loaned. In addition to the reference correspondence and the answering of requests at the library and by telephone, a list of subjects covered by the package library service has been published in pamphlet form; a purchasing list of books for bank libraries and a thrift bibliography for the Savings Bank Centennial have been compiled; a check-list of periodicals and annuals in New York financial libraries has been made; a canvass of libraries has been carried on by correspondence in an effort to secure financial pamphlet literature; and the library has distributed hundreds of current pamphlets to association members.

OFFICERS ELECTED

President, Peter W. Goebel, president Commercial National Bank, Kansas City, Kansas.

First Vice-president, Charles A. Hinsch, president Fifth-Third National Bank, Cincinnati.

National Bank Section: Joseph S. Calfee, cashier Mechanics-American National Bank of St. Louis, president; J. Elwood Cox, president Commercial National Bank of High Point, N. C., vice-president. Jerome Thralls, formerly secretary of the Kansas City Clearing House Association, now of New York City, was re-elected Secretary.

State Secretaries Section: Major S. B. Rankin, Columbus, O., president; F. H. Colburn, San Francisco, first vice-president;

P. W. GOEBEL

PRESIDENT AMERICAN BANKERS ASSOCIATION, (PRESIDENT COMMERCIAL NATIONAL BANK, KANSAS CITY, KANSAS)

CHARLES A. HINSCH
PRESIDENT FIFTH-THIRD NATIONAL BANK, CINCINNATI
(FIRST VICE-PRESIDENT AMERICAN BANKERS ASSOCIATION)

George D. Bartlett, Milwaukee, second vice-president, and E. A. Philpot, Dallas, Tex., secretary and treasurer.

Trust Company Section: President, Uzal H. McCarter, president Fidelity Trust Company, Newark, N. J.; vice-president, Frank W. Blair, president Union Trust Co., Detroit, Mich.; chairman Executive Committee, John W. Platten, president United States Mortgage and Trust Co., New York. Le Roy A. Mershon was re-elected secretary.

Clearing House Section: President, W. D. Vincent, vice-president Old National Bank, Spokane; vice-president, John McHugh, vice-president Mechanics and Metals National Bank, New York.

Members of the Executive Committee, to serve for three years, to fill the vacancies of those expiring: Stoddard Jess, president First National Bank, Los Angeles, and R. F. McNally, vice-president Mississippi Valley Trust Company, St. Louis.

Savings Bank Section: President, G. E. Edwards, president the Dollar Savings Bank, New York; vice-president, J. R. Noel, president Northwest State Bank, Chicago.

Member Executive Committee to fill the unexpired term of G. E. Edwards, who was elected to the presidency: Victor A. Lersner, Comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.

State Bankers Section: President, J. H. Puelicher, Milwaukee, Wis.; vice-president, E. D. Huxford, Cherokee, Ia. The members of the Executive Committee are: Craig Hazelwood, Chicago; C. C. K. Scoville, Seneca, Kas.; J. W. Butler, Clifton, Tex.; J. W. Robinson, Boise, Idaho; D. M. Armstrong, Memphis, Tenn.; Elliott C. McDougal, president Bank of Buffalo, Buffalo, N. Y., and the president.

NOTES

There were on August 31 last 16,016 members of the American Bankers Association.

Comptroller Williams, in his address before the National Bank Section, said some very nice things about the bankers, but changed his tune somewhat in speaking before a political club, which caused Joseph Chapman to remark:

"I was amused at the statements of Mr. Williams before the City Club. Evidently the Comptroller of the Currency came to Kansas City with two speeches in his pocket —one to be made before the bankers and the other before a semi-political club. His subject before us was 'The Soul in the Dollar.' And the other subject should have been 'The Hole in the Dollar.'

"I protest it is unfair for a man holding the position Mr. Williams does for him to hold up all bankers to ridicule for the few who charge usurious interest. If Mr. Williams wants to see the laws of this nation

W. D. VINCENT
VICE-PRESIDENT OLD NATIONAL BANK, SPOKANE
(PRESIDENT CLEARING-HOUSE SECTION)

successful he must co-operate. He cannot confine his actions to destructive criticism and unwonted and unjust charges."

There was an unusual number of ex-presidents of the association at the Kansas City convention—Walker Hill, Wm. Livingstone, George M. Reynolds, Arthur Reynolds, Wm. A. Law, E. F. Swinney, Lewis E. Pierson, Frank O. Watts, and to this list the name of Mr. Lynch must be added after Mr. Goebel was installed as the new president.

Stoddard Jess, president First National Bank, Los Angeles, Cal.: Conditions in Southern California are excellent. Our products are all abundant and prices generally good. I am much interested in seeing a better understanding developed among the people of this country. It seems to me that any attempt to set up class distinctions or to divide "workers" and "capitalists" into supposedly hostile groups is most unfortunate. Banks, great business corporations, farmers and industrial workers generally are really all bound up together, with substantially common interests. We need, I think, a greater cultivation of the get-together spirit in the United States.

N. H. Latimer, president Dexter Horton National Bank, Seattle: Business in the Pacific Northwest, while not feeling the same stimulus from war orders as the East, is nevertheless in good condition. There is great activity in shipbuilding, and, notwithstanding the fact that the war has greatly reduced the volume of available tonnage, Seattle is doing a foreign trade second only to that of the Port of New York.

Wm. Livingstone, president Dime Savings Bank, Detroit: In our city the branch banking system is working well with the state banks. We find that by establishing branches in various parts of the city the saving habits of the people are greatly stimulated. The banks being convenient, wage-earners deposit their earnings before they slip away from them. The branch bank in Detroit is a strong factor in the thrift and prosperity of our people.

Walker Hill (referring to some remarks by Mr. Lynch and Mr. Law): I am not in favor of lynch law.

B. F. Harris, president of the First National Bank, Champaign, Ill., until recently chairman of the Agricultural Commission of the American Bankers Association, said:

"We have heard much of the magnificent opportunities offered American bankers in the development of our foreign commerce, and a number of our great financial institutions are doing valuable educational work in pioneering this field, but the greatest opportunity of this country lies in the development of its marvelous internal agricultural resources. It is to this work we are committed, and it is this work we believe offers the greatest opportunity to the country banker."

"Bankers have learned it pays to be human," E. Kirby Smith, president of the Commercial National Bank, Shreveport, La., and a director in the Dallas Federal Reserve Bank, said. "As a rule, the banker who is a good glad-hander, and carries behind the handshake the proper banking ability, is the man who goes the highest in the banks today."

One banker who has obtained a big position in New York said the banks of the metropolis are searching the country for bankers of ability who have a genial smile and a firm handshake. They must have both before they can get a big position in New York.

As usual, California kept open house to that state's many friends among the bankers. Frederick H. Colburn, secretary of the California Bankers Association and manager of the San Francisco Clearing House Association, welcomed the many visitors. He was assisted by Mrs. Colburn, who, in addition to taking an interest in banking affairs, is active in practical preparedness work. As regent of the San Francisco Chapter, Woman's Section of the Navy League, she was instrumental in organizing a National Training Service School. A National Service Training Camp, combining

Mrs. Frederick H. Colburn

Red Cross field work and the daily routine of army life, was established at the Presidio and maintained from June 1 to July 15, with nearly 250 women taking part in the work.

As usual, the closing scenes of the convention were marked by several presentations. Retiring President Lynch got a silver tea service, Mr. Fitzwilson got a handsome silver loving cup in token of twenty years' service as assistant secretary, and Mr. Goebel, the new president, got a big bouquet of flowers.

George M. Reynolds, president of the Continental and Commercial National Bank, Chicago: The United States has passed from the state of a borrower nation to be a great creditor nation. To hold that position American banking and business men must be conservative and talk, think and act in world terms.

Here's a tale (as told by the Kansas City "Star") about a bank's profits which if it came from "Wall Street" instead of from Kansas, would start a fresh investigation of the "money trust":

"Average net earnings of 336 per cent. a year on the original capital in the First State Bank of Larned, Kas., beats anything the Wall street banks can boast of, asserts John E. Wagner, president of the Larned Bank, who attended the convention of the American Bankers Association.

"Here is a record of the performance of the Kansas Bank, cited by Mr. Wagner:

"Organized in 1898 with a capital of $5,000; in eighteen years the capital, without an additional dollar paid in by the stockholders, has grown to $120,000; present surplus plus dividends paid, $215,000; total profits on original investment, $330,000; average annual profits, $18,333; net earnings per year on original capital, 336 per cent.; total net profits on original capital, 6,600 per cent."

A. F. Dawson, president First National Bank, Davenport, Iowa: Those here who believe every legislator a moral coward need only to look back to the closing days of the late session of Congress for verification of that idea.

"I am a Democrat," Frederick Collins of Demopolis, Ala., said. "In fact, I am what is known as a fool Democrat. I vote her, right or wrong. But I don't understand the attitude of the administration on the Federal Reserve Act. The principle of allowing country banks to charge for exchange is a vital one. It is necessary for their livelihood. Secretary McAdoo is going about the country talking about exchange being a tax on commerce. I would like to know if an express company charge is not a tax on commerce. The merchant can make up any little over expense by charging more, but the banker has no such way. He must suffer."

"I also am a Democrat and I don't know why the administration has it in for us state bankers," John E. Wagner of Larned, Kas., said. "The Federal Reserve Act requires us to perform a service without proper compensation."

E. F. Swinney, president First National Bank, Kansas City: There are two kinds of currency. One is issued by or under the authority of the government and sought only for what it gets. The other is issued from the heart and sought only for what it gives; hand money and heart money. Both are issued in all denominations so as to meet all needs.

From the secretary's report: The convention of the association in Kansas City is the forty-second in the history of our organization. Kansas City has once before entertained the American Bankers Association—on the occasion of our fifteenth annual convention, September 25 and 26, 1889. There are those among our number who will recall that convention as one of the most successful held up to that time, and particlarly marked was the unbounded hospitality of the bankers and citizens of Kansas City on that occasion.

At that time the Association had a membership of about 2,200 and the attendance at the convention was approximately 600 delegates and with guests totaling in all about 1,500 people.

A Missouri banker was president—Mr. Charles Parsons, president of the State Bank of St. Louis; and Mr. Joseph S. Chick, president of the National Bank of Kansas City, Mo., was a member of the Executive Council. Mr. William P. St. John (well known in the past in this section of the country) was one of the principal speakers and Mr. George F. Baker of New York City, prominent banker and financier, was treasurer of the association. The income for that fiscal year was $14,612. An interesting program was presented and there were many speakers on questions of the day, with spirited discussions.

Again we meet in this great mid-western metropolis with marked changes in the association, showing progress along all lines of endeavor; with a membership of more than 16,000 banks and an attendance of approximately 4,000 delegates and guests.

Some of the Kansas City papers tried to figure out about what sum of money the bankers expended while in town. They put the amount down as somewhere between $300,000 and $400,000.

NEXT YEAR'S CONVENTION

The convention of the American Bankers Association for 1917 will be held at Atlantic City, N. J., the date to be fixed hereafter.

Payment of Accounts of Deceased Persons

By F. H. WILLIAMS, Assistant Treasurer, Albany City Savings Institution, Albany, N. Y.

ONE of the functions of a bank is to receive money on deposit and it follows that at some future time this money will be called for and withdrawn either by the one who made the deposit or by someone else. It is important that the bank pay the money back to the proper person. This is sometimes difficult even when the party is living, but when the depositor dies further complications arise. While the depositor lives it is only necessary to pay the money to him or to the person to whom he orders it paid, but when he dies it is sometimes difficult to determine to whom the money should be paid. The disposition of it depends almost entirely on the form of account, whether a joint, trust, individual or otherwise.

A large part of this article will be devoted to accounts of deceased persons in savings banks in New York State, but some rules and laws governing such accounts in savings banks can be applied to other banks as well.

INDIVIDUAL ACCOUNTS

TAKING up first the individual account in the name of one person only. We are more or less familiar with the proceedings for the transfer or payment of such an account. The savings bank will first require the passbook and letters from the surrogate of the county in which the deceased was a resident at the time of death, showing the appointment of the executor or administrator. Before making payment, the bank will also require a waiver from the State comptroller consenting to the transfer, which waives any future claim on the bank for inheritance tax against the estate.

For failure to notify the comptroller, at least ten days prior to the transfer, a fine of $5,000 to $25,000 or the amount of the tax or both may be imposed, under section 227 of the Tax Law.

At the time of making payment the bank will also require a check or order signed by the executor or administrator and that the person be properly identified unless they are a depositor or known at the bank or if payment is made by check. If payment is made by check, the responsibility of identification rests on the bank that cashes the check and not on the bank that gave the check in payment. Some banks require that proof of death be furnished, but it would seem that this is unnecessary when letters are issued, for in each instance death is proven by petition in the surrogate's court.

When a person dies outside the State of New York and letters are issued in another state, it is no longer necessary to take out ancillary letters to obtain a waiver from the State Comptroller. This was required until July 21, 1911, when the courts held that intangible property such as bank accounts were not taxable when the person died outside of the State of New York. All that is necessary to obtain a comptroller's waiver is to make a sworn affidavit setting forth the property of which the deceased person died possessed and file it with the comptroller. It sometimes happens that the passbook of a deceased person cannot be located and the legal

$ ________ Albany, N. Y., ____________ 19

Albany City Savings Institution
188 State St.

Pay to the order of ______________________________ UNDERTAKER
on account of the FUNERAL EXPENSES OF ______________________________
who died at ______________________________
on the ______________ day of ______________ 19____, the sum of
______________________________ dollars, on the account
of the said deceased, as per accompanying Pass Book No. ______________
which is hereby surrendered. ______________________________

In presence of ______________________________

____

______________ ______________ of the said
______________ deceased.

No. 1

In consideration of the payment to me of the within order by The Albany City Savings Institution
Albany, N. Y., I ______________________ residing at No. ______________
______________ N. Y., do hereby guarantee said Bank as follows: That ______________
____
______________________________, who signed said order
are respectively the ______________________________ of
______________________________ late of ______________
N. Y., deceased; that they are the sole surviving heirs at law and next of kin of said deceased; that they are the only persons interested in, and entitled to withdraw funds from the account referred to in said order; that the amount named in said order is due me for the funeral expenses of said deceased; that the signatures of the persons who signed said order are genuine and correct, and that I will indemnify and save harmless said Bank from any liability by reason of such payment to me, and will, on demand, defend, at my own expense, any action brought against said bank involving such payment.

Signed and sealed at Albany, N. Y., this ________ day of ______________ 19____

STATE OF NEW YORK } ss: ______________________________
CITY AND COUNTY OF ALBANY, }

On this ______ day of ______________, in the year 19 , before me
personally appeared ______________________________, to me
known and known to me to be the same person described in and who executed the above instrument, and duly acknowledged to me that he executed the same.

____
Notary Public, Albany County, N. Y.

No. 2

$ .... Albany, N. Y., ... 19

Received from the **Albany City Savings Institution**
.... Dollars,
being the full amount to the credit of Account No. .... in the name of
.... in Trust for
....

....
Beneficiary named in aforesaid Trust.

I hereby certify that the above-named Depositor died on the .... day
of .... 19 ...... at ...., and that the person who signed the
above receipt is the Beneficiary named in the said deposit account No .... with the
Albany City Savings Institution.

....

Residing at No. .... Street, Albany, N. Y.

No. 3

representatives of the estate desire to withdraw the account. The usual custom in such cases is to require a proper bond indemnifying the bank against loss, either a surety company bond or a satisfactory bond of individuals unless the account is very small, when an affidavit is taken instead. If the representatives of the estate object to this, as in Mills vs. Albany Exchange Savings Bank, 59 N. Y. Supp. 149, the decision depends on the by-laws to which the depositor assented at the time of opening the account. In this case the by-laws provided that: "In case of the loss of a passbook, the bank shall decide to whom payment shall be made."

The court said in part: "A provision in the by-laws of a savings bank to the effect that, in case a passbook is lost or destroyed, the deposit shall not be repaid, unless the bank shall first receive satisfactory indemnity, is a reasonable provision; and when it is so provided in the by-laws becomes a part of the contract between the bank and its depositor," but when it is not a part of the by-laws, "it does not mean that the bank can decide not to pay the deposit to any person, or that it will not pay without adequate indemnity."

Not long ago, a certain savings bank in notifying some of its depositors that their accounts would become dormant unless their book was presented for credit of interest, brought to the attention of the heirs of a certain estate which was dispersed and closed up some fifteen years ago, an account of over $2,000, which was unknown to the executors at the time of settlement. The estate was reopened, the proper papers and bond of indemnity were filed and the amount paid.

SMALL ACCOUNTS

THE Savings Bank Law, Sec. 248, Par. 4, now provides for the payment of accounts of $250 or less to certain heirs or creditors without going to the trouble of taking out letters of administration. This provision in the law is a blessing to poor folks when their relatives die and leave only a meager sum, sometimes barely enough for funeral expenses. It is optional with the bank to take this course or not and under the law the bank is also given the privilege of withholding payment for one year and to require almost any kind of a bond of indemnity and affidavits it cares to ask for. But why should a savings bank put a person to any more trouble than necessary after it has satisfied itself that the parties to whom payment is made are reliable and the bank is properly protected against loss. The ordinary procedure is to require the passbook, waiver of the State Comptroller, order signed by the nearest relatives and an affidavit. Sometimes a bond of indemnity is required and sometimes payment is held up for one year, but there are times when the withholding of payment would seriously inconvenience the surviving relatives who usually wish to have business matters of this kind cleared up and forgotten as soon as possible; therefore in most cases payment is made as soon as the bank is reasonably sure that it will incur no loss by reason of payment. A request was recently made of several savings banks for sample forms used in making payment of this kind, and the one shown in illustrations Nos. 1 and 2 front and back seemed to be the most condensed form and to cover all points. In this form the undertaker, who is usually a very reliable party, assumes all the risk, certifies to the death and identifies the surviving heirs. Several banks have no special form and have their attorney or some officer to draw up one to apply to each particular case.

JOINT ACCOUNTS

THE joint account in the name of two or more persons "payable to either or the survivor of them" which has been used and abused in many ways is still with us and its advantages are enjoyed by many while the solution of its problems are engaging the attention of others. No doubt the majority of joint

accounts are opened for the purpose of eliminating the expense of administration and yet some banks ask for administration papers when one party to a joint account dies. That seems to be unjust, unreasonable and uncalled for, as the savings bank law gives the bank authority to receive such deposits and pay to either or the survivor. (Sec. 249, Par. 3.) There is no doubt that the joint account with all its problems is and has been a source of great convenience to people throughout the nation by providing a way for husband and wife and others who save together so either can draw, and at the death of one the other can draw the remainder without the expense of administration. There are a certain number of lawyers who dislike to have their clients open joint or trust accounts and always discourage the practice, suggesting that a will be drawn. This of course means business for the lawyer, and we do not wonder at the suggestion.

PAYMENT AND TRANSFER

THE usual requirements for payment or transfer when one party to a joint account dies are the pass-book, waiver from the state comptroller and an order signed by the survivor. A question which is troublesome to the banks and which has not, as yet, been decided by a court decision, is, whether or not a bank is bound to ascertain if both parties to a joint account are living before making payment. The bank has made a contract with the depositors that it will pay to either or the survivor. Now the state comes along and says, "Yes, you can pay to either or the survivor, but if you want to pay the survivor, you must wait until we say you can; and, furthermore, before you make a payment on a joint account, we want you to use reasonable care to find out if both parties are still alive." In a recent interview with a representative of the state comptroller's office, in answer to the question, "Does the comptroller expect a savings bank to ascertain if both parties are living before making payment on a joint account?" the answer was, "Yes, because section 220, paragraph 7, Tax Law, reads in part as follows: 'Whenever intangible property is held in the joint names of two or more persons or is deposited in banks in the joint names of two or more names and payable to either or the survivor, upon the death of one of such persons the right of the surviving tenant to the immediate ownership or possession of such property shall be deemed a transfer taxable under the provisions of this chapter in the same manner as though the whole property belonged absolutely to the deceased tenant by the entirety and had been bequeathed to the surviving tenant by will.' "

Whether or not the stand taken by some banks that they are not required to inquire into the matter of one party being dead, is a question that is still unsettled. By making such an inquiry, the bank invites trouble for itself and the depositor, and if it pays without inquiry after death of one party and the comptroller has knowledge of that fact, it is politely reminded that it had better obey the law or be subject to a fine of the amount of the tax imposed or not less than $5,000 nor more than $25,000 or both. (Sec. 227, Tax Law.) Does not the same principle that governs payment of a check hold good on a joint savings account? If a bank has knowledge that the maker of a check is dead it will not pay, but it does not go out of its way to ascertain that fact. If a pass-book and order on a joint account were presented over the counter by a third person with an order signed by one party to the account, the maker of the order may have died before it was presented. If the bank inquired if the other party was still living and received an affirmative reply and made payment, would that be a violation of the law? And again, if a pass-book and order on a joint account were received from a correspondent in the usual course of business for collection, the order being signed by one party to the joint account, would the bank be justified in returning the item, inquiring if both par-

ties were living and would not the bank be liable for damages if a loss occurred to the depositor by reason of delay in such a procedure? It has made a contract to pay to either or the survivor and should it not live up to that contract without any exceptions, especially if the account were opened before the passage of this law? We would be interested to see a case of this character come up and be carried through the courts to see how far a bank is expected to inquire into the matter of death of one party to a joint account.

INHERITANCE TAX CHARGEABLE AGAINST SURVIVOR

THE provision of the law above referred to is manifestly unjust, inasmuch as it makes the survivor pay the inheritance tax if the aggregate amount of deposits exceeds the limitation in all cases whether the deposit belonged to the deceased or the survivor.

Before May 20, 1915, when this law was amended, if a survivor could show that the deposit belonged all or in part to him the tax was waived or charged accordingly. A case just brought to our attention presented the following facts: A servant girl deposited money in a joint account with her employer as joint owner with whom she had worked and lived for many years. She desired to have her remains properly looked after and savings disbursed according to her wishes without expenses of administration. It happened that her employer died first and when a waiver was applied for she was told that she must pay inheritance tax, not one per cent., but five per cent., *on her own money* for the amount which exceeded the limitation, which was $1,000 at that time. Is that justice? No, it is not, and the representative of the state comptroller's office interviewed admits it, but since that time the law has been amended and is more drastic than ever, placing the limitation of $500 for all except direct heirs, i. e., father, mother, husband, wife, widow or child of the decedent.

DEATH OF BOTH PARTIES

OCCASIONALLY a case will be found where both parties to a joint account die before the account has been transferred after the death of the first one. The bank has a right to assume that the deposit belongs to the estate of the one who died last in absence of notice to the contrary, and can safely pay to that estate, if the papers hereinbefore mentioned are filed with it, accompanied with a proof of death of the one who died first. If one party to a joint account dies and the executor or administrator of the estate demands payment of the account, a question of proper ownership arises. The position of the bank in such a case is to require the signature of both the survivor and the representative of the estate, otherwise it assumes responsibility of paying to the right party. If a lawsuit arises between the parties for possession of the account, the bank can interplead or pay the money into court and await the outcome of the action.

TRUST ACCOUNTS

ANOTHER form of account that has its advantages and presents difficulties is the voluntary trust account. This form of account is especially advantageous to parents opening accounts in trust for their children, and while it is used largely for that purpose, yet it is also used by children in trust for parents, brothers and sisters for each other and in other ways. The ownership of a trust account when one party dies is sometimes difficult to determine and there are probably more lawsuits arising over accounts of this character than any other form of account. Section 249, paragraph 2, of the Savings Bank Law, provides that: When a deposit is made by one person in trust for another and no other, or further notice of the existence and terms of a legal and valid trust shall have been given in writing to such savings bank, in the event of the death of the trustee, the

deposit may be paid to the person for whom the deposit was made. This form of deposit has been held by the court as a voluntary and revocable trust at the pleasure of the trustee, and although conflicting decisions have been rendered the rule is that "a deposit by one person of his own money, in his own name as trustee for another standing alone, does not establish an irrevocable trust during the lifetime of the depositor. It is a tentative trust merely, revocable at will, until the depositor dies or completes the gift in his lifetime by some unequivocal act or declaration, such as delivery of the pass-book or notice to the beneficiary. In case the depositor dies before the beneficiary without revocation, or some decisive act or declaration of disaffirmance, the presumption arises that an absolute trust was created as to the balance on hand at the death of the depositor." (Matter of Totten. 179 N. Y. 112-119, Aug. 5, 1904.) There are, of course, facts which may enter into each case to change this rule and each case is decided separately on its own merit and is a question of fact for the jury. But as far as the savings bank is concerned it may safely pay to the beneficiary if the trustee dies if it has no notice of another claim. If the beneficiary should die before the trustee, the bank can safely pay to the trustee unless it has received notice that the heirs of the beneficiary claim the fund. In this case it would hold the account intact until proper ownership was established.

REQUIREMENTS FOR PAYMENT

THE requirements for the payment of a trust account do not differ materially from those of a joint account except to require proof of death if the trustee dies. The pass-book and waiver from the state comptroller are required with an order signed by the beneficiary and it is advisable that the beneficiary be identified if unknown at the bank. The proof of death and identification can very conveniently be embodied in an order or receipt as shown by illustration No. 3. There are times when a request is made of the bank to open the trust account in the names of more than one trustee or for more than one beneficiary. This is out of the ordinary and the practice is discouraged as often as possible, for such an account means that additional care must be used in making payment in case of death, and there is not much benefit to be derived by the depositor. A technical point may be raised as to whether a comptroller's waiver is required if a party to a trust account dies, but to save a controversy with the comptroller, it is better to obtain one. There are times when both or all the parties to a trust account will die at the same time or so near together that in the intervening time the account has not been transferred. The balance of the account would ordinarily belong to the heirs who died last unless evidence to the contrary could be shown, and in absence of such information, the bank could safely pay in that way and be protected, although it would not be out of place to require an affidavit or even a bond of indemnity if the amount was large. The necessary papers for payment would then be the same as a one-name account after proper ownership had been established.

INHERITANCE TAX

THE inheritance tax on a trust account is not imposed in the same manner as a joint account. It depends on the circumstances of each case, which is as it should be. If a trustee dies and the beneficiary can prove that the trustee made an absolute gift of the account to him by delivery of the pass-book before death and not in contemplation of death, then there would be no inheritance tax chargeable aaginst the account. If the beneficiary should die and there was no evidence to show that the account belonged to him, then the trustee would not be charged with in-

heritance tax. These questions are, of course, a matter between the depositor and the state comptroller and the bank will always require a waiver before making payment.

MISCELLANEOUS ACCOUNTS

THERE are some forms of accounts that do not require a waiver in case of death. That is when an executor, administrator, guardian or a legally-appointed trustee of an estate dies. Here there is no transfer of funds from one party to another, but simply a continuation of the estate or trust. The only paper necessary is a surrogate's certificate showing the appointment of the party to continue the estate and trust and that they be properly identified. The rule governing accounts of estates and trusts in the foregoing paragraph does not apply to an account of an insane or incompetent person for whom a committee has been appointed. If the owner of such an account should die the committee's power would cease the same as one who has a power of attorney. The estate would then be subject to administration the same as any other individual account. Of course, if the committee should die first, a new committee could be appointed to continue the work of the deceased in the same manner as a continuing executor or trustee.

The deposition of partnership accounts depends on the terms of the partnership agreement. When one partner dies the partnership ceases and a bank would do well to examine the terms of the partnership agreement before making payment. The matter of inheritance tax also depends on the terms of this agreement. The payment of this form of account acts as a transfer of funds and requires a waiver.

Community Trust Plan a Success

MR. FREDERICK H. GOFF, president of the Cleveland Trust Co., is recognized as the originator of the plan for forming into a community trust bequests for social and philanthropic work. The first such trust, The Cleveland Foundation, was established in January, 1914, by the Cleveland Trust Co.

A recent number of "The Survey" gives the following account of the typical provisions for investing and expending moneys given to such a fund:

"The plan is for the trust company to accept legacies to be used for the good of the community. Bequests may be made for the general purpose of the foundation—'the mental, moral and physical improvement of the inhabitants of the city'—or for specific ends, but in the latter case the trustees may apply it to other purposes if in their opinion changed conditions make such a new application wise. This is held to completely do away with the restrictive 'dead hand' in philanthropy. The purposes for which the fund may be used are stated in broad terms so that old needs when they have been met may be dropped, and new ones not foreseen may be taken up.

"In all cases the control and investment of the funds vest solely and perpetually in the trust company and its successors; and the control and use of the income, with the possible use also of the principal in instalments, is placed in the hands of a board of five members, one expiring each year. Two members are appointed by the trust company, one by the mayor, one by the local judge of probate and one by the judge of the Federal Court in whose jurisdiction the city lies. Independent audit is provided for, full financial statements must be published annually in two newspapers, and all books and records are open to the chief law officers of state, county and city."

Banking and Commercial Law

CASE COMMENT AND REVIEW

A Transaction in Rubles

IT would seem that if a depositor were to approach his banker and ask that a designated amount in foreign money be remitted abroad, and the bank accepted an amount equal to the equivalent, and undertook to deliver at the foreign address, and it was unable to make delivery the bank should return to the remitter the same amount received from him less a reasonable fee for its services. But the contrary is held in the case of Fliker vs. State Bank in this issue.

The said Fliker asked the State Bank to remit 500 rubles for him to Russia. The bank gave him receipt for $217.50 covering the value of the rubles and its fees. The remittance was subject to war time delivery, which was impossible. The bank being unable to carry the transaction through, tendered to Fliker the sum of $171.50, being the value of the 500 rubles at the time of the tender, being a difference of $46 due to depreciation in the value of the ruble. The bank was sustained in its position, the court saying:

"The general purpose of a bank is not to act as a merchant, but as an agent for a principal, and that such is the relationship here is evidenced by the agreement, which describes its object to be a 'remittance,' which, in the words of Bouvier, is 'money sent by one merchant to another, either in specie, bill of exchange, draft, or otherwise.' Plaintiff, the principal, purchased of defendant, the banking agent, 500 rubles, and as part of the transaction defendant was to endeavor to make delivery of plaintiff's 500 rubles to the designated person. As the agent was unable to perform, his remaining obligation was to return the principal's property, the 500 rubles, to him. This has been tendered and to my mind ends the bank's obligation.

"To hold with plaintiff would be to also determine that at the place of payment, regardless of the market value of rubles, the payment by the bank or its Russian correspondent would have to be upon the basis of the purchasing value of the rubles for $217 in United States money at that time and place. Clearly this was not the contract, and if the bank could not be called upon to be affected by a gain or loss in the value of rubles, if delivered in Russia, how can it be upon their return to New York? And if so, at what point did this condition commence? Plaintiff dealt in rubles, and he is entitled to his rubles or their equivalent at the time of his demand."

We cannot agree with this reasoning. The remitter was in the United States with United States money, which he wished to transmit to Russia. He bought the *equivalent in rubles,* which would be good tender in Russia. The remittance was never made and his draft was returned. He is entitled to his money back, less a reasonable fee for the service. If there had been returned to him a Russian draft for 500 rubles, the case would then be different and the reasoning of the court would apply. We cannot see that the bank is in law or morals entitled to make $46 by virtue of this transaction, and doubt if the ruling of the Municipal Court would stand appeal. This is not a transaction in rubles, but a transaction in American money *turned into rubles.* Fliker vs. State Bank in this number.

Misappropriation of Trust Funds

IN the multitude of transactions that pass through a bank, many carry on their face what would, under close scrutiny, constitute notice to the bank that the funds were being diverted from their proper use. For instance: a check drawn by an officer of a corporation to his own order and deposited to his personal account is notice to the bank that he is using the funds of his company for private purposes, and the bank may be chargeable with notice of such diversion. The executor of an estate might pay personal bills with trust funds in such a manner as to charge the bank with knowledge of the diversion. But if a bank were to be chargeable with notice of every transaction that passes through, it would need to have a force of clerks examining all items and greatly retard expeditious banking. But a bank must take cognizance of misappropriation of funds, if the facts are so plain as to make the ignoring thereof a wilful violation of its duty toward the parties affected.

The executor of an estate deposited money in the Bowery Bank of New York as executor of the estate. He had a private account with the Yorkville Bank. He deposited some thirty checks in the latter bank, signed as the executor of the estate and drawn on the Bowery Bank. The checks aggregated $14,005. Other moneys not from the estate were likewise deposited with the Yorkville Bank. The executor was indebted to the Yorkville Bank. All the funds deposited by the executor from the Bowery Bank to the Yorkville Bank were paid out for personal matters or in settlement of his notes to the latter except the sum of $675.96. The Yorkville Bank made no inquiry as to the regularity of these transactions.

The Court of Appeals of New York, in holding the bank liable and chargeable with knowledge of the misapplication of the funds, says:

"A bank does not become privy to a misappropriation by merely paying or honoring the checks of a depositor drawn upon individual ~~account in~~ which there are, in the knowledge of the bank, credits created by deposits of trust funds. The law does not require the bank, under such facts, to assume the hazard of correctly reading in each check the purpose of the drawer, or, being ignorant of the purpose, to dishonor the check. The presumption is, and after the deposits are made remains until annulled by adequate notice or knowledge, that the depositor would preserve or lawfully apply the trust funds. The contract arising by implication of law, from a general deposit of moneys in a bank is, that the bank will, whenever required, pay the moneys in such sums and to such persons as the depositor shall direct and designate. Although the depositor is drawing checks which the bank may surmise or suspect are for his personal benefit, it is bound to presume, in the absence of adequate notice to the contrary, that they are properly and lawfully drawn. Adequate notice may come from circumstances, which reasonably support the sole inference that a misappropriation is intended, as well as directly.

"In the present case Poggenburg paid to the defendant, as his creditor, on June 3, 1908, the sum of $765 from his account with the defendant. The finding of the trial court, supported by the evidence, is that the account at that time was constituted wholly from trust funds for his private benefit. At that time and through the transaction the defendant knew that Poggenburg had appropriated $765 of those funds for his private benefit. The presumption that he would not thus violate his duty and lawful right—that he would apply the moneys to their proper purposes under the will, then ceased to exist. There was absolute proof in the possession of the defendant to the contrary. The defendant had no longer the right to assume that in paying the checks of Poggenburg it was paying the executor's moneys to the executor and not to Poggenburg, the individual, or that Poggenburg would use the moneys lawfully. It had knowledge of such

facts as would reasonably cause it to think and believe that Poggenburg was using the moneys of the executor for his individual advantage and purposes. Those facts indicated that the payment to it was not an isolated incident; they indicated, rather, that it was within a method or system. Having such knowledge, it was under the duty to make reasonable inquiry and endeavor to prevent a diversion. Having such knowledge, it was charged by law to take the reasonable steps or action essential to keep it from paying to Poggenburg as his own the moneys which were not his and were the executor's, and was bound by the information which it could have obtained if an inquiry on its part had been pushed until the truth had been ascertained. It did nothing of that sort, and by supinely paying, under the facts here as found, the subsequent checks of Poggenburg, it became privy to the misapplication. It must now pay the plaintiffs the moneys of the estate which it had and received on and after June 3, 1908. See Bischoff vs. Yorkville Bank in this number.

Leading Cases

Foreign Exchange

New York

Loss in Transmission of Money to Foreign Country

Municipal Court, City of New York, Manhattan, Second District, March 3, 1916.

FLIKER VS. STATE BANK.

Where a bank received $217.50 for a remittance through the European postal service of 500 rubles to Russia, and on account of the war and the occupation of Russian territory by German forces, delivery of the money could not be made, the remaining obligation of the bank was to return 500 rubles to the remitter, who was entitled to them or to their equivalent in United States money at the time of his demand, so that where, between the date of the attempted transmission and demand, they decreased in value $46, the transmitter was the party to stand the loss.

(159 N. Y. Sup.)

ACTION by I. S. Fliker against the State Bank. Judgment for defendant.

STATEMENT OF FACT AND OPINION

DAVIES, J. On March 20, 1915, plaintiff called at the defendant bank and had a transaction wherein the bank delivered to him a paper reading as follows:

"New York, 3/20/15.

"Received from Mr. I. S. Fliker the sum of two hundred and seventeen 50/100 dollars, for a remittance through the European postal service of five hundred rubles to Russia.

(Signed) "THE STATE BANK,
"$217.50. Per ...."

Indorsed by rubber stamps as follows:

"Guaranteed. The State Bank," and "Subject to delay on account of foreign war."

Also, in print:

"The State Bank, 376 Grand Street, New York. Drafts and payments on all places in Europe. Collection of debts, legacies, etc., in Europe. Deposits received. Interest allowed on time deposits."

And annexed thereto in handwriting:

"Zirie Fliker, Frampol, Lublin Guberne, Oyezda, Tarnow, Zamisher."

And the plaintiff paid over to the defendant bank the $217.50, same being the market value upon that day of 500 Russian rubles, plus its commission of 55 cents. The bank thereupon, through its forwarding agents, attempted to deliver the 500 rubles to the person mentioned at the place designated, but because of war conditions then existing in

that part of Russia, and the capture by the German military forces of the town designated, delivery could not be made, and the 500 rubles were returned to the bank to await the further order of the plaintiff, who thereupon demanded the return of his money.

Between the date of the transaction and the date of the return and demand, the market value of rubles decreased, and upon plaintiff's demand the defendant bank tendered 500 rubles, of the United States equivalent at that date of $171.50, which tender plaintiff refused to accept, claiming that he was entitled to the return of the original amount in United States money that he had paid. The difference, because of the intermediate decreased value of rubles, is $46, and to determine who is to be the loser is the reason for this action.

Plaintiff contends that defendant's obligation herein was the same as if the bank were a vender of merchandise which it agreed, as part of its contract, to deliver, and that, having failed to deliver, even without fault, the contract had not been performed, and it must pay back the original consideration to the vendee—citing Denny vs. Simons, 27 La. Ann. 438; Washburn vs. Rainier, 130 App. Div. 42, 114 N. Y. Supp. 424.

I cannot agree with this view. The general purpose of a bank is not to act as a merchant, but as an agent for a principal, and that such is the relationship here is evidenced by the agreement, which describes its object to be a "remittance," which, in the words of Bouvier, is "money sent by one merchant to another, either in specie, bill of exchange, draft, or otherwise." Plaintiff, the principal, purchased of defendant, the banking agent, 500 rubles, and as part of the transaction defendant was to endeavor to make delivery of plaintiff's 500 rubles to the designated person. As the agent was unable to perform, his remaining obligation was to return the principal's property, the 500 rubles, to him. This has been tendered, and, to my mind, that ends the bank's obligation.

To hold with plaintiff would be to also determine that at the place of payment, regardless of the market value of rubles, the payment by the bank, or its Russian correspondent, would have to be upon the basis of the purchasing value of rubles for $217 in United States money at that time and place. Clearly this was not the contract, and if the bank could not be called upon to be affected by a gain or loss in the value of rubles, if delivered in Russia, how can it be upon their return to New York? And, if so, at what point did this condition commence? Plaintiff dealt in rubles, and he is entitled to his rubles or their equivalent at the time of his demand.

Such value having been tendered to plaintiff and paid into court, the issue herein is decided in favor of the defendant, and judgment must be entered therefor.

150 N. Y. Supp. 731.

Trust Funds

New York

Diversion of Money—Executors and Administrators—Liability of Bank for Diversion of Trust Moneys

Court of Appeals, New York, May 2, 1916

BISCHOFF VS. YORKVILLE BANK

An executor, though he holds the funds of an estate as a trustee to pay the debts and execute the will of testator, is not guilty of a conversion because depositing them to his individual account, as title to the funds is in him and he has full power and control.

A fiduciary may legally deposit trust funds to his individual account and credit.

Knowledge on the part of a bank that a trustee has deposited trust funds to his individual account, does not affect the character of the act, for the bank has the right to presume that the trustee will apply the funds to their proper purposes.

Where an executor deposited in a bank checks payable to the order of the bank signed estate of S. by him as executor, the bank is charged with notice that the funds were trust funds.

Where a bank participates in an execu-

tor's diversion of trust funds or joins in a diversion in which it was not interested, with actual knowledge or knowledge that diversion was intended, the bank is liable for the diversion.

Where an executor deposited funds of an estate to his individual account and used them to defray his individual obligations, including obligations to the bank, and from the form of the checks the bank was charged with knowledge that the funds belonged to the estate, the bank is liable for all diversions occurring after such funds were used to satisfy the executor's debt to the bank, for in such case the bank on inquiry might have actually learned of the diversion, and could not rely on the presumption that a trustee will not misappropriate trust funds.

(112 N. E. Rep.)

ACTION by Josephine Bischoff, as administratrix with the will annexed of the estate of Josephine F. Schneider, deceased, against the Yorkville Bank. From an order of the Appellate Division (170 App. Div. 679, 156 N. Y. Supp. 563), which affirmed a judgment for plaintiff, defendant appeals. Modified and affirmed.

STATEMENT OF FACT AND OPINION

COLLIN, J. The plaintiff has recovered a judgment against the defendant for the sum of $13,329.04, apart from the sums of interest and costs. The basic facts as found are: In March, 1908, H. F. W. Poggenburg was appointed and qualified as executor of the will of Josephine F. Schneider, deceased. The plaintiff here became his successor in December, 1914, through his removal. In April, 1908, Poggenburg as executor deposited the moneys of the estate in the Bowery Bank in the city of New York in the name of "Estate of Josephine F. Schneider by H. F. W. Poggenburg, executor." He as an individual had at that time a deposit account with the defendant, Yorkville Bank. In April, 1908, he sent by mail to the defendant a check upon the Bowery Bank in the sum of $500, payable to the order of the defendant, signed "Estate of Josephine F. Schneider by H. F. W. Poggenburg, executor." The defendant received the check in due course, indorsed and transmitted it through the New York Clearing-house to the Bowery Bank, which paid it out of the funds of the estate. The defendant placed the proceeds of it to the credit of Poggenburg in his individual account with the defendant. Between April, 1908, and November, 1911, the defendant received through the mail twenty-nine other checks identical, except as to date and amount, with that described (except that one was payable to the order of Poggenburg and by him indorsed payable to the order of the defendant, which counsel assume and we will assume, has the character and effect of the others), and dealt with them as it did with that fully set forth.

The findings describe with particularity the manner in which the officers and employes of the defendant, in creating the credits, dealt with the checks. The amounts of the checks aggregated $14,-005. Additional moneys from sources other than the estate were deposited by Poggenburg with the defendant and credited to him in his account during the interval involved. In April, 1908, the defendant owned the promissory note of Poggenburg for $1,750, which matured June 3, 1908. On June 3, 1908, Poggenburg paid the defendant from his individual account with it, in which the amount standing to his credit was less than the proceeds of the estate checks theretofore deposited therein, $765 upon the note, including interest, and renewed $1,000 of the loan by a new note maturing September 1, 1908. On September 1, 1908, this note was paid the defendant in the same manner and under the like condition. In February, 1911, the defendant was paid, likewise, $1,000 upon a note of Poggenburg held by it for the sum of $2,000. The decree of the Surrogate's Court of April, 1915, by which Poggenburg was removed as the executor and his accounts as executor were settled, declared that he was liable to the estate for the

aggregate sum of the thirty checks, with interest. All of the funds so withdrawn by the executor from the Bowery Bank and deposited in and placed by the defendant to his individual credit were checked out by Poggenburg in payment of said notes, or for his personal purposes, except the sum of $675.96. Throughout the transactions the defendant made no inquiry at any source as to the deposits of the checks of the executor or the withdrawals from the individual account with it. The judgment recovered by the plaintiff was for the sum of those funds, less the $675.96, with interest and costs. It was affirmed by the Appellate Division by a divided court. The dissenting justice declared that the recovery should have been only the sums Poggenburg paid the defendant. We have reached a conclusion differing from both.

The transfer of the funds of the estate to and the crediting of them by the defendant to Poggenburg, in his individual account, did not overpass the legal right of the executor or the defendant. The method was unwise and hazardous; it did not, however, in and of itself, constitute a conversion. The title to the funds was in the executor, and he possessed the full control and disposition of them. As executor, however, and not as an individual, and for the purposes of administration, was he thus empowered. For many purposes third persons are entitled to consider an executor the absolute owner of the personal assets in his hands. Although he holds the title to them, he holds it in trust to pay the debts and execute the will of the testator. In equity he is a mere trustee charged with the performance of the will. Leitch vs. Wells, 48 N. Y. 585; Blood vs. Kane, 130 N. Y. 514; Smith vs. Ayer, 101 U. S. 320; Hartnett vs. Wandell, 60 N. Y. 346. A fiduciary may legally deposit the trust funds in a bank to his individual account and credit. Knowledge on the part of the bank of the nature of the funds received and credited does not affect the character of the act. The bank has the right to presume that the fiduciary will apply the funds to their proper purposes under the trust. There are judicial decisions, in cases in which the fiduciary has converted the funds, which hold the contrary. United States Fidelity & Guaranty Co. vs. People's Bank, 127 Tenn. 720; Bank of Hickory vs. McPherson, 102 Miss. 852. The rule stated by us is, however, established in this and other jurisdictions, as the decisions hereinafter cited will disclose, and accords with reason.

The acts of the executor and the defendant in depositing and crediting in the individual account of Poggenburg the proceeds of the checks did not affect the character of the trust funds. The form of each check, in which the defendant was payee, imported the ownership of the moneys represented in them by the executor, and informed the defendant that Poggenburg was depositing with it moneys which were not his and were the executor's. Squire vs. Ordemann, 194 N. Y. 394; Ward vs. City Trust Co., 192 N. Y. 61; Cohnfeld vs. Tanenbaum, 176 N. Y. 126. The defendant knew at all times that the credits created by the deposits of those moneys, through the checks of the executor, were equitably assets of the estate and owned by the executor. Trust funds do not lose their character as such by being deposited in a bank for the individual credit and account of the person who is trustee. It may be stated as a general principle that if money deposited in a bank was held by the depositor in a fiduciary capacity, its character is not changed by being placed to his credit in his individual bank account. Van Alen vs. American Nat. Bank, 52 N. Y. 1; Union Stockyards Bank vs. Gillespie, 137 U. S. 411; National Bank vs. Insurance Co., 104 U. S. 54; Roca vs. Byrne, 145 N. Y. 182.

Inasmuch as the defendant knew that the credits to Poggenburg created by the proceeds of the checks were of a fiduciary character and were equitably owned by the executor, it had not the right to participate in a diversion of them from the estate or the proper purpose under the will. Its participation in a diversion of them would result from either (a) acquiring an advantage or

benefit directly through or from the diversion, or (b) joining in a diversion, in which it was not interested, with actual notice or knowledge that the diversion was intended or was being executed, and thereby becoming privy to it. Ward vs. City Trust Co., 192 N. Y. 61; Squire vs. Ordemann, 194 N. Y. 394; Union Stockyards Bank vs. Gillespie, 137 U. S. 411; National Bank vs. Insurance Co., 104 U. S. 54; Allen vs. Puritan Trust Co., 211 Mass. 409, 422. In the case last cited it is stated:

"The principle governing the defendant's liability is, that a banker who knows that a fund on deposit with him is a trust fund cannot appropriate that fund for his private benefit, or where charged with notice of the conversion join in assisting others to appropriate it for their private benefit, without being liable to refund the money if the appropriation is a breach of the trust" —and numerous decisions are cited.

A bank does not become privy to a misappropriation by merely paying or honoring the checks of a depositer drawn upon his individual account in which there are, in the knowledge of the bank, credits created by deposits of trust funds. The law does not require the bank, under such facts, to assume the hazard of correctly reading in each check the purpose of the drawer, or, being ignorant of the purpose, to dishonor the check. The presumption is, and after the deposits are made remains until annulled by adequate notice or knowledge, that the depositor would reserve or lawfully apply the trust funds. The contract, arising by implication of law, from a general deposit of moneys in a bank is, that the bank will, whenever required, pay the moneys in such sums and to such persons as the depositor shall direct and designate. Although the depositor is drawing checks which the bank may surmise or suspect are for his personal benefit, it is bound to presume, in the absence of adequate notice to the contrary, that they are properly and lawfully drawn. Adequate notice may come from circumstances which reasonably support the sole inference that a misappropriation is intended, as well as directly. Safe Deposit & Trust Co. vs. Bank, 194 Pa. 334; Batchelder vs. Central National Bank, 188 Mass. 25; United States Fidelity & Guaranty Co. vs. Home Bank for Savings (W. Va.) 88 S. E. 109; Brookhouse vs. Union Publishing Co., 73 N. H. 368; Freeholders of Essex vs. Newark National Bank, 48 N. J. Eq. 51; Havana Central R. R. Co. vs. Knickerbocker Trust Co., 198 N. Y. 422.

In the present case Poggenburg paid to the defendant, as his creditor, on June 3, 1908, the sum of $765 from his account with the defendant. The finding of the trial court, supported by the evidence, is that the account at that time was constituted wholly from the trust funds. At that time and through the transaction the defendent knew that Poggenburg had appropriated $765 of those funds for his private benefit. The presumption that he would not thus violate his duty and lawful right—that he would apply the moneys to their proper purposes under the will then ceased to exist. There was absolute proof in the possession of the defendant to the contrary. The defendant had no longer the right to assume that in paying the checks of Poggenburg it was paying the executor's moneys to the executor and not to Poggenburg the individual, or that Poggenburg would use the moneys lawfully. It had knowledge of such facts as would reasonably cause it to think and believe that Poggenburg was using the moneys of the executor for his individual advantage and purposes. Those facts indicated that the payment to it was not an isolated incident; they indicated, rather, that it was within a method or system. Having such knowledge, it was under the duty to make reasonable inquiry and endeavor to prevent a diversion. Having such knowledge, it was charged by the law to take the reasonable steps or action essential to keep it from paying to Poggenburg as his own the moneys which were not his and were the executor's, and was bound by the information which it could have obtained if an inquiry on its part had been pushed until the truth had been ascertained. It did nothing of that sort, and

by supinely paying, under the facts here, as found, the subsequent checks of Poggenburg, it became privy to the misapplication. It must now pay the plaintiffs the moneys of the estate which it had received on and after June 3, 1908. Allen vs. Puritan Trust Co., 211 Mass. 409; Duncan vs. Jaudon, 15 Wall, 165.

What we have written makes clear, we think, the distinction between the instant case and that of Havana Central Railroad Co. vs. Knickerbocker Trust Co., 198 N. Y. 422, upon which the defendant firmly relies.

We do not consider the question, because it is not here, as to whether or not a bank would be protected in honoring a check of a fiduciary depositor, regularly drawn upon his account as such fiduciary, and presented by him, even though it had actual notice that he would misappropriate the proceeds. The decisions are not uniform upon this question. The distinction between that question and the question sub judice is substantial. In the one, the bank pays, under its implied contract, the moneys to the rightful owner and the depositor; in the other, it pays the moneys to one who, as it knows, is not the rightful owner, after notice that the payee is converting them.

We have examined the other points of the appellant's brief and find nothing which requires discussion.

The trial court adjudged a recovery of the principal sum of $13,329.04, the aggregate sum of the amounts of the thirty checks, less the sum of $675.96, which was not misappropriated. Poggenburg had deposited with the defendant prior to June 3, 1908, $2,300 of the trust funds. There was to his credit on that date $1,298.65. Prior to that date, therefore, he had misappropriated $1,001.35, to which action the defendant was not privy and for which it was not liable. It follows that the principal sum recovered should have been $12,327.69, and the interest in the sum of $3,000.35, computed as directed in the decision of the trial court.

The judgment should be modified accordingly, and, as modified, affirmed, without costs to either party.

112 N. E. Rep. 759.

Payment of Check

Kentucky

Liability of Bank on Uncertified Check —Acceptance

Court of Appeals, Kentucky, June 9, 1916

FIRST NAT. BANK OF JACKSON VS. HARGIS COMMERCIAL BANK AND TRUST CO.

Since, under the express terms of the Negotiable Instruments Act (Ky. St., Section 3720b, sub-section 189), a bank is not liable to the holder of a check, unless and until it accepts or certifies the check, and since subsection 132 thereof, defining an acceptance or certification of a check, prescribes that such acceptance shall be in writing, signed by the drawee, in the absence of such acceptance or certification, a bank is not liable to a check holder, either on the check or by way of damages for refusal to pay.

A bank is bound by its contract with its customer to honor the latter's check when he has sufficient assets on deposit.

(186 S. E. Rep.)

ACTION by the First National Bank of Jackson against the Hargis Commercial Bank & Trust Co. From a judgment for defendant, plaintiff appeals. Affirmed.

STATEMENT OF FACT AND OPINION

SETTLE, J. Appellant, First National Bank of Jackson, and appellee, Hargis Commercial Bank & Trust Co., are banking corporations located in the city of Jackson, this state. On October 4, 1913, one Stephen Little delivered to appellant, in payment of a note he was owing it, his check for $750, of that date, drawn on the appellee, Hargis Commercial Bank & Trust Co. This check appellant on the following day presented to appellee for payment, which the latter refused. Thereupon appellant brought this action against appellee in the Breathitt Circuit Court to compel it to pay the check. Appellee filed a general demurrer to the petition, which the circuit court sustained. Appellant filed an amended petition, fol-

lowing which appellee insisted upon its demurrer to the petition as amended, and it was again sustained. Appellant refusing to plead further, the action was dismissed at its cost and from the judgment manifesting these rulings it has appealed.

By the original petition a recovery was sought upon the ground that Little, the drawer of the check, had, as alleged, money on deposit in the appellee bank sufficient in amount to pay it; that the giving of the check to appellant operated as an assignment of the amount Little had on deposit in the appellee bank for its payment, and the refusal of the latter to pay the check upon its presentment made it liable to appellant as the holder of the check for the amount thereof. By the amended petition it was, in substance, alleged that the deposit in the appellee bank to Little's credit of an amount sufficient to pay the check was shown by a passbook furnished by it to him, which passbook was exhibited to appellant by Little when he paid it the check of $750; that the making and delivery to it of the check by Little constituted an appropriation of such part of the latter's money on deposit in the appellee bank as was necessary to pay it; and that the refusal of appellee to pay the check amounted to a wrongful conversion by it of so much of the money on deposit with it to Little's credit as would pay the check and made it liable to appellant in damages for such conversion, at least to the amount of the check.

The demurrer confesses the facts properly alleged by the petition, as amended. For the purposes of the demurrer it must therefore be taken as true that at the time the check given appellant by Little was presented by the former to appellee for payment, Little had on deposit with the latter money sufficient to pay the check, and that its refusal to pay the check was an arbitrary act. But do these facts, if true, entitle appellant to recover of appellee in this action the amount of the check?

It was formerly a recognized doctrine in this jurisdiction that a check drawn by one having money on deposit in a bank and delivered to the payee operated as an assignment to the latter of so much of the fund to the credit of the drawer with the bank as would equal the amount of the check, but in most other jurisdictions the weight of authority has all along opposed this doctrine; and even in this jurisdiction it had been subjected to some modification prior to the enactment by the Legislature of this state of what is known as the "Negotiable Instruments Act," section 3720b, subsection 189 of which entirely abrogates the doctrine in question by expressly declaring that:

"A check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder, unless and until it accepts or certifies the check."

—which admittedly was not done in the instant case. As the Negotiable Instruments Law has been adopted by thirty-eight of the states constituting the American Union, the rule declared by the section supra has been given a practically uniform application everywhere in this country. Section 3720b, subsection 132, of the same act defines an acceptance or certification of a check and the manner in which it shall be made, as follows:

"The acceptance of a bill (or check) is the signification by the drawee of his assent to the order of the drawer. The acceptance must be in writing and signed by the drawee. It must not express that the drawee will perform his promise by any other means than the payment of money."

In Ewing vs. Citizens' Nat. Bank, 162 Ky. 551, we held that a check of itself does not operate as an assignment of any part of the fund to the credit of the drawer with the bank, and the bank is not liable to the holder. unless and until it accepts or certifies the check; and that where a check is certified by the bank on which it is drawn the certification is equivalent to an acceptance, but that until such acceptance is given in writing the bank cannot be made liable to any holder of

the check. It is patent, therefore, that the holder of a check cannot, by an action against the bank upon which it is drawn, recover of it the amount of such check, unless and until the check has, in writing, been accepted or certified by it. Such acceptance or certification creates a new and binding obligation on the part of the bank which makes it directly liable to the holder for the amount of the check. In the absence of such acceptance or certification there is no assignment to the holder of the fund upon which the check is drawn, nor privity of contract between the bank and the holder, and the holder's remedy is against the drawer alone, and to the drawer only is the bank liable for its refusal to pay the check if such refusal was a breach of its contract with the drawer. The bank is bound by its contract with its customer to honor the latter's check when he has sufficient assets in his hands. But if it does not do so, such failure makes it liable to an action by the drawer, but not to the holder, of the check. Ogden on Negotiable Instruments, section 207.

Counsel for appellant concedes that the statute supra destroys the rule that the giving of a check operates as an assignment for its payment of the fund upon which it is drawn, and forbids any recovery against appellee upon that ground, which is relied on in the original petition, but insists that upon the claim for damages made in the amended petition against appellee for failing to pay the check, appellant is entitled to recover. This contention is illogical and without authority of law. Manifestly, if an action would not lie against appellee for its failure to pay the check, it would not be liable in damages for such failure. The amended petition neither broadens the scope of the original petition nor states a new cause of action.

It therefore follows that appellee's demurrer to the petition as amended was properly sustained.

(186 S. E. Rep. 471.)

Bank Deposit

ARKANSAS

Title to Funds Deposited in Bank—Collections—Agency

Supreme Court of Arkansas, June 26, 1916

DARRAGH VS. GOODMAN

A general deposit of money in a bank passes the title immediately to the bank, and establishes the relation of debtor and creditor between the bank and depositor.

A bank receiving a draft for collection merely is the agent of the remitter, drawer, or forwarding bank, and takes no title to the paper or the proceeds when collected. but holds the same in trust for remitter.

A bank, to which a draft was sent for collection, having failed before its check, by which it remitted, was paid or presented in due course for payment, the drawer is entitled to the proceeds of the drafts out of the bank's cash going into its receiver's hands, in preference to general creditors.

(187 S. W. Rep.)

STATEMENT OF FACT AND OPINION

TWO suits, one by the First National Bank of Atchison, Kan., against the State National Bank and its receiver, and the other by F. J. Darragh and others, partners as the Darragh Company, against L. S. Goodman, special deputy Bank Commissioner, in charge of the Bank of Leola. From adverse decrees, defendants in the first suit and plaintiffs in the second suit appeal. Affirmed in first suit, and reversed and remanded in the second suit.

These appeals involve the correctness of the decrees of the Pulaski and Grant chancery courts, the one requiring the receiver of an insolvent bank to pay from the moneys on hand at the time of its failure the full amount of certain drafts collected by it shortly before its failure to the drawer bank to the exclusion of the general creditors, and the other denying the drawer of the draft such right to the payment of the amount collected out of the cash assets of the failed bank, and have been consolidated for hearing.

It appears from the agreed statement

of facts that the First National Bank of Atchison, Kan., sent drafts with bills of lading attached on F. J. Darragh Company, of Little Rock, to the State National Bank for collection. This bank, of which the Darragh Company were customers, presented the drafts on June 15, 1914, and they were paid by said company's check on the collecting bank, which charged the checks against the account of the payer and sent its draft on the National Bank of Commerce of St. Louis to cover the collection. Immediately upon receipt of the exchange, the Kansas bank forwarded it to St. Louis for collection, but before it reached there the State National Bank had suspended business, and payment of the draft was refused by the St. Louis bank because of the failure of the drawer. During the day and at the close of business of said June 15, 1914, the State National Bank had on hand the sum of $32,429.54 in cash. When it closed its doors on June 19, it had on hand cash to the amount of $7,052.77, which went into the hands of the receiver, who took charge of the assets of the bank. Said sum was the lowest amount of cash the failed bank had on hand at any time after the collection of the drafts. It continued business regularly to the time of closing its doors on June 19, 1914. The court held the collection constituted a trust fund, and ordered it paid out of the cash going into the hands of the receiver, to the exclusion of the general creditors of the bank.

In No. 4200, the Darragh Company, of Little Rock, on June 8, 1915, sent its draft on M. A. Davis, of Leola, Ark., to the Bank of Leola for collection, with the direction contained in its circular letter:

> Please collect this item for us on arrival of goods, and remit proceeds in Little Rock exchange, with your usual promptness.

On the 13th day of January the Bank of Leola collected the draft and issued its "cashier's check," payable to the order of the Darragh Company, for the amount, and mailed it to said company. On the next day the Darragh Company deposited the said cashier's check in the England National Bank of Little Rock for collection, but the Leola Bank failed, and its affairs were taken charge of by John M. Davis, state bank examiner, on June 15, before said cashier's check could in due course be collected. The failed bank had more cash on hand at the time it was taken charge of by the examiner than the amount collected on the draft and had not had a less amount since the collection.

KIRBY, J. (after stating the facts as above): It is contended, on the one hand, that only the relation of principal and agent existed between the collecting bank and the drawer of the drafts collected, and that the amount collected remained the property of the drawer, a trust fund to which the receiver could be required to account for to the exclusion of the general creditors, and, on the other, that only the relation of debtor and creditor was created by the transactions, and the drawers of the drafts were not entitled to any preference payment out of the cash assets of the failed bank.

No principle of law is better established than that a general deposit of money in a bank passes the title immediately to the bank, and establishes a relation of debtor and creditor between the bank and its customer, the depositor. Covey vs. Cannon, 104 Ark. 550; Warren vs. Nix, 97 Ark. 374; Steelman vs. Atchley, 98 Ark. 294, 3 R. C. L. 261; Merchants' & Planters' Bank vs. Meyer, 56 Ark. 499; Plano Mfg. Co. vs. Auld, 14 S. D. 512; Carroll County Bank vs. Rhodes, 69 Ark. 43.

It is likewise well established that a bank, receiving a draft for collection merely, is the agent of the remitter, drawer, or forwarding bank, and takes no title to the paper, or the proceeds, when collected, but holds the same in trust for remitting. Second National Bank vs. Bank of Alma, 99 Ark. 386; Okla. State Bank vs. Bank of Central Arkansas, 179 S. W. 509; Macy vs. Roedenbeck, 227 Fed. 346.

There is no question in either of these cases but that the drafts were sent for collection only, with the expectation that the proceeds should be remitted immediately upon the receipt thereof by the collecting bank, and nothing indicating that the parties intended that the drafts or proceeds should not remain the property of the owner. Such being the case, we hold that the deposit by the State National Bank of the funds collected from the Darragh Company upon the drafts of the Kansas bank did not become the property of the collecting bank, nor establish the relation of debtor and creditor for the amount thereof between it and the drawer bank, and that the relation of principal and agent continued, and the bank, having failed before the payment of its check or the presentation thereof in due course of business for payment, the drawer was entitled to the proceeds of the collected drafts out of the failed bank's cash going into the hands of the receiver in preference to the general creditors.

It is true, as contended, that the collecting bank was instructed by the drawer of the draft in No. 4200 to remit the proceeds in Little Rock exchange; but we do not think this indicated an intention upon its part that the bank should take the title to the proceeds, nor consent that the relation of debtor and creditor should arise, but the intention rather that no such relation should be created. The bank was making the collection merely, and the direction to remit immediately in Little Rock exchange shows unmistakably that the draft was sent for collection, and that there was no intention of the drawer to receive credit from the bank, but an expectation that the proceeds would be immediately forwarded, and the suggestion, remit in Little Rock exchange, was only to facilitate the receipt of the money, the drawer of the draft living in the city where such exchange would be payable, and relieve the necessity for forwarding the check or draft used as a medium of payment for collection.

It is contended, further, by appellant, even if it shall be held that the relation of debtor and creditor did not arise between the collecting bank and the owner sending the drafts for collection, since the collections were made in fact by the receipt of a check from the drawee against its account in the collecting bank and the charge of the amount thereof against same, that no money in fact was received, nor the cash assets of the bank thereby increased, and that therefore the funds of the bank coming into the hands of the receiver could not be impressed with the trust for the payment of the proceeds of the draft collected. We do not agree to this contention. It is uniformly held that an agent, having for collection obligations due to his principal, can receive only money in payment unless otherwise directed, and these principles, of course, apply to banks holding drafts for collection. 1 Am. Ency. of L. 1037; 3 Am. Ency. of L. 804; 3 R. C. L. 616, 635, 640; Ward vs. Smith, 7 Wall. 447, 19 L. Ed. 207; Fretz vs. Stover, 22 Wall. 208, 22 L. Ed. 769; Briggs vs. Collins, 113 Ark. 190; Grooms vs. Neff Harness Co., 79 Ark. 401; Bradley Lbr. Co. vs. Bradley County Bank, 206 Fed. 41.

Our court has held, in its construction of the law prescribing a penalty against the officers of insolvent banks for receiving moneys on deposit when the bank is known to be insolvent, that the receipt by the officer of a check drawn by a customer against his account in the bank and depositing it to the credit of the account of the payee, another customer, was receiving money within the meaning of the law. Cunningham; vs. State, 115 Ark. 392 Skard vs. State, 118 Ark. 176. In Daniel vs. St. Louis National Bank, 67 Ark. 223, the court held that where a bank had sent a note to a correspondent bank for collection, and the latter, which had the maker's money on deposit with instructions to pay it on the note, charged the amount thereof to the maker and credited it to the sender of

the note in the regular course of business, it constituted a payment of the note, notwithstanding the bank failed the next day, and returned the note without indorsement or accounting for the collection. In 3 R. C. L. 641, it is said:

> And a collecting bank may, as between the payor and holder of paper, receive a check of the payor upon the bank or a certificate of deposit held by him in payment, since the payor should not be required to go through the idle ceremony of withdrawing the money from the bank and paying it back to the bank.

The payment of the drawee of the draft of the amount thereof, by the delivery of its check therefor against his account in the collecting bank and the charging of the amount against his account, constituted to all intents and purposes a payment in cash of the drafts; the check being merely the vehicle of transfer of the cash. Certainly there is no necessity for the drawee of the drafts to take its check to its bank, the collector, and present it and receive the money, and hand it back to the bank in payment of the draft.

The testimony shows that the bank had more money on hand each day it continued business after the collection of the drafts than the amount thereof, and that the lowest amount it had on hand thereafter, and which went into the hands of the receiver, was more than $7,000, and under the rule announced by this court in Covey vs. Cannon, 104 Ark. 550, 149 S. W. 514, this showing is a sufficient identification of the proceeds of the collected draft and tracing them to the possession of the receiver.

It follows that the decree of the Pulaski chancery court is correct, and is affirmed, and of the Grant chancery court is erroneous, and the same is reversed, and the cause remanded, with direction to enter a decree for the amount of the draft claimed by appellant.

(187 S. W. Rep. 673.)

Savings Bank Rules

Maryland

Care in Payment—Deposits by Check—Marksman's Account

Court of Appeals of Maryland, April 26, 1916

COMMONWEALTH BANK OF BALTIMORE VS. GOODMAN

By-laws or regulations of savings banks, that possession of the book of deposit shall be sufficient evidence of ownership, that all payments which shall be made by the bank to any person producing the book of a depositor shall be valid as against the depositor, etc., are valid as necessary for the protection of such banks.

The rule, that a savings bank must exercise ordinary care to make payments from a depositor's account to the proper party, does not deprive it of the protection of its contract with a depositor, but simply imposes on it the consequences of its negligence or want of ordinary care.

Where checks to the amount of $100, drawn in favor of a savings bank for account of plaintiff, the bank book being taken to the bank by a third party for entry of the checks, did not bear plaintiff's indorsement and were credited to his account only to the extent of $25, though the bank collected them, the teller testifying that he would not have paid such checks without plaintiff's indorsement, in the absence of evidence satisfactorily explaining the bank's failure to credit such checks to plaintiff's account, the latter was entitled to recover the amount not credited.

There was no want of ordinary care on the part of a savings bank in making payments to a party other than the depositor, on presentation of the bank book and orders and receipts bearing the name of the depositor and his mark witnessed by the other party or one of the officers of the bank.

Ordinary care did not require a savings bank, in accepting an account opened for the depositor by another, to require that the depositor's signature card be witnessed by a person other than the one acting for the depositor, or that the depositor come to the bank and have his mark witnesed by an officer.

Ordinary care did not require a bank in accepting a savings account opened by a party acting for the depositor, to close all possible avenues to fraud.

(97 At. Rep.)

SUIT by George Goodman against the Commonwealth Bank of Baltimore. From a judgment for plaintiff, de-

fendant appeals. Judgment reversed and new trial awarded.

STATEMENT OF FACT AND OPINION

THOMAS, J.: This suit was brought by the appellee, George Goodman, against the Commonwealth Bank of Baltimore to recover the amount deposited in his account in the bank and alleged to have been paid out by the bank upon fraudulent and forged orders. The declaration contains the common counts for money lent, money received and money found to be due on accounts stated, and three special counts. During the trial of the case in the superior court of Baltimore city, which resulted in a verdict and judgment in favor of the plaintiff for $690.73, the defendant reserved eight exceptions to the rulings of the court on the evidence and the prayers.

The evidence shows that the plaintiff, a colored man, was employed for a number of years by Mrs. Jane S. Whitelock, of Mt. Washington, Baltimore county, at $20 per month, and that after her death he was employed as coachman for her daughter, in Carroll county, Md. During Mrs. Whitelock's lifetime, the plaintiff's wages were paid by checks, and each month he was given a check for one-half of his wages ($10), drawn in favor of the Commonwealth Bank for account of George Goodman. After Mrs. Whitelock's death, the checks were issued by the executors or trustees of her estate; the one for $10, drawn in favor of the bank for account of George Goodman, was mailed directly to the bank, and the other was mailed to Goodman in Carroll county.

While in the service of Mrs. Whitelock, Goodman rented a room from James H. Webb, another colored man, at 917 North Eutaw street, where he kept his trunks and clothes and lived upon most friendly terms with Webb and his wife and daughters, Priscilla and Edith Webb. He was particularly fond of the daughter, Edith Webb, and on the 10th of August, 1908, he gave her $2 with which to open a savings account for him in the Commonwealth Bank of Baltimore. Edith Webb, who was then about 15 years of age, took the money to the bank and had an account opened in the name of the plaintiff. The bank gave her a bank book and a signature card to be signed by the plaintiff and returned to the bank, and she returned the card to the bank signed as follows:

"10137 George X Goodman. (his / mark)

"Witness by Edith Webb.
"Address: 917 N. Eutaw St."

The bank book was always in the possession of Edith Webb, and the plaintiff testified that he gave it to her to take care of for him, and that prior to Mrs. Whitelock's death, when he received the checks for his monthly wages, he gave the check payable to the bank to Edith Webb to deposit for him, and that he also gave her money to deposit. When he went to Carroll county to live, he left his trunk and clothes in the room in Webb's house. He says he did not pay rent for the room after he went to Carroll county, but that he left his trunk and clothes in the room so that he would have a place to go whenever he was in Baltimore, and that he paid for the use of the room on such occasions, and that he left his bank book in the possession of Edith Webb in order that she might take it to the bank each month and have his check, which was sent to the bank, entered therein.

During the years he was employed by Mrs. Whitelock, he went to the bank a number of times to draw some money. He could not tell how many times he went to the bank for that purpose, but did remember having withdrawn $20 on March 5, 1909, $15 on August 11, 1909, and $10 and $12 on two other occasions; and he states that he always took Edith Webb to the bank with him, that he took her the first time so she could identify him as the man to whom the account belonged, and that he never went to the bank after the fall of 1911.

The evidence also shows that nearly all of the money deposited and entered in the bank book of the plaintiff was paid out from time to time to Edith Webb on orders or receipts signed like the signature card referred to and presentation of the bank book, and Edith Webb testified that when the plaintiff was with her she immediately handed the money to him. Except in one instance, when the order was in the form of a letter, all of the orders or receipts were on blanks furnished by the bank and they were brought to the bank, signed, as we have stated, with the bank book. In a few instances, Goodman's mark on the order or receipt was witnessed by one of the officers of the bank. The plaintiff testified that he never authorized Edith Webb to make any withdrawals in his absence, and that he never made his mark on any of the orders or receipts on which the money was drawn without his knowledge.

It further appears from the evidence that eight of the checks made payable to the bank for account of Goodman, amounting to $100, were only credited in Goodman's bank book to the amount of $25; that these eight checks were collected by the bank, and that some of them were indorsed by Edith Webb, but that not one of them bears the indorsement of George Goodman. Charles A. Nicholson, the teller of the bank, who had charge of the savings department, was sick at the time of the trial, and his testimony was taken prior to the trial before a notary public. When shown two of the checks that were not entered in the bank book of the plaintiff and did not bear his indorsement, he testified that he would not have paid either of them without Goodman's indorsement. It also appears from the evidence, that, in a number of instances, the amount deposited was withdrawn the same day or on the day following.

The bank book issued to the plaintiff contains the following rules or regulations printed therein, purporting to constitute the contract between the plaintiff and the bank:

Deposits entered in this book are not subject to check, but may be withdrawn at any time on order and presentation of the book, the bank reserving the right to demand 30 days' notice, if it so desires.

Interest allowed at the rate of three and one-half per cent. per annum on sums of $5 and multiples thereof, for every calendar month that such sums remain on deposit.

Accounts, closed within the four calendar months following date commencement, receive no interest.

Interest will be computed to the 1st day of April and 1st day of October, of each year, and entered on depositors' books on and after the 10th day of the months above named.

Possession of the book of deposit shall be sufficient evidence of ownership thereof; and, although the bank will endeavor to prevent fraud on its depositors, yet all payments which shall be made by the bank to any person producing the book of a depositor shall be valid as against the depositor, and a full and effectual release theerof to the bank.

Should a depositor lose the book, immediate notice thereof must be given to the bank.

The defendant offered evidence to show that the bank exercised reasonable and ordinary care in paying out the money of the plaintiff; that the plaintiff authorized Edith Webb to draw the money in his account in the bank whenever she desired to do so, and to sign his name and witness his mark to orders or receipts for that purpose, and that he got the benefit of a large part of such withdrawals. Charles A. Nicholson, the teller of the bank, testified that after the account was opened by Edith Webb the plaintiff came to the bank and told him that she "attended to all his business for him, and that whatever she did was all right." This evidence was corroborated by Edith Webb and others, but the plaintiff denied that he made any such statement or authorized Edith Webb to draw the money.

By-laws or regulations, like those contained in the bank book of the plaintiff, have been adopted by savings banks and have been upheld by the courts as necessary for the protection of such banks. It is not contended by the appellant that the regulations referred to, which were printed in the bank book as the contract between the

plaintiff and defendant, relieve the bank from its obligations to exercise ordinary care in paying out the money of a depositor; but the bank insists that in this case the burden was on the plaintiff to show that it did not exercise ordinary care, and that he has failed to meet that burden. The rule of ordinary care on the part of the bank applicable to cases of this kind is clearly stated, and its application illustrated in the cases cited in the extensive notes to Kelley, Administratrix, vs. Buffalo Savings Bank, 180 N. Y. 171, and Hough Avenue Savings Bank vs. Andersson, 78 Ohio St. 341. This rule does not deprive a savings bank of the protection of its contract with a depositor, but simply imposes upon it the consequences of its own negligence or want of ordinary care. 3 Ruling Case Law, pp. 706-709. It is said in 3 Ruling Case Law, p. 709:

> As to what constitutes a negligent payment, the only practical general rule to which savings banks can be safely held in such dealings is the rule of ordinary care, leaving it to be applied in the light of the special circumstances that characterize each separate case. The question of due care and diligence on the part of the bank is one of fact for the jury if the evidence is conflicting, and one of law if the evidence is undisputed, and can lead to but one reasonable conclusion. When negligence is relied on, the burden of proving the issue is on the depositor.

The learned court below granted the defendant's eighth prayer, placing on the plaintiff the burden of showing that the bank did not exercise ordinary care, but rejected its first prayer which asserted that there was no evidence in the case legally sufficient to sustain that burden, and in reviewing this ruling we must assume the truth of all the evidence tending to support the plaintiff's contention.

As to the checks drawn in favor of the bank for account of the plaintiff, which do not bear his indorsement and which were not placed to his credit, there can be no question. The evidence shows that they were collected by the bank but were credited in the account of the plaintiff only to the extent of $25; and the teller of the bank, when shown two of these checks, testified that he would not have paid either of them without the plaintiff's indorsement. In the absence of evidence satisfactorily explaining the failure of the bank to credit these checks in the account of Goodman, the plaintiff was clearly entitled to recover the amount not so credited.

In regard to the payments made by the bank to Edith Webb on presentation of the bank book and orders and receipts bearing the name of the plaintiff and his mark, witnessed by her or by one of the officers of the bank, we think the plaintiff has failed to show want of ordinary care on the part of the bank. According to the uncontradicted evidence in the case, the bank account was opened by Edith Webb, and all of the deposits of money and checks prior to the time the plaintiff went to Carroll county were made by her; she was given the bank book and signature card; she took the signature card home and returned it to the bank, after it had been signed by the plaintiff by making his mark, and his mark was witnessed by her; the plaintiff went to the bank with her on several ocasions and received from the bank payments made by it, directly to him or to her, on presentation of the bank book, and orders or receipts with his name and mark on them witnessed by her; on other occasions he received payments from the bank on orders or receipts on which his mark was witnessed by one of the bank officers, and every time he went to the bank he took Edith Webb with him and she presented the bank book.

Under such circumstances there was no reason why the officers of the bank should have suspected that any of the orders or receipts presented by Edith Webb were forged or fraudulent. On the contrary, the way in which the account was opened and deposits were made and the dealings of the plaintiff with the bank justified the officials of the bank in believing that he had implicit confidence in her and that the orders presented by her were genuine. The appellee contends that the manner in which the account was opened shows

negligence on the part of the bank, and he urges that the bank should have required the mark of the plaintiff on the signature card to be witnessed by a third person, or have required the plaintiff to come to the bank and have his mark witnessed by one of its officers.

That course, like many others that might be suggested, would doubtless have afforded some additional protection to the depositor, but ordinary care did not require the bank to adopt such a precaution, or to close all possible avenues to fraud. If the plaintiff trusted Edith Webb to the extent indicated, and was willing for the bank to accept the signature card with his mark witnessed by her, why should the bank have hesitated to do so? The money could not be withdrawn without the bank book, and the bank had no reason to suppose that the plaintiff would leave his book in the possession of the person who happened to witness his mark on the signature card. There must be in large cities like Baltimore many instances of savings bank accounts of persons who cannot read or write, and a greater number of accounts of persons who cannot read or write English, and we see no reason why these accounts should not be opened in the way the plaintiff's account was opened. Institutions like the appellant are designed to encourage thrift and to offer facilities for savings to persons of limited means and opportunity.

To hold these banks to such a strict interpretation of the rule as that contended for by the appellee would, in effect, do away with the doctrine of ordinary care, and compel them to exercise such a degree of caution as would necessarily deprive a large class of persons of the benefits of such institutions, and the very class to whom they render the greatest service. Nor do we find in the fact that the amounts deposited were, in a number of instances, withdrawn from the bank on the same day, or the day following, sufficient evidence of a want of ordinary care on the part of the bank.

There is no evidence in the case to show that the officers of the bank knew that the plaintiff did not retain possession of his bank book, or that he did not know the condition of the account as disclosed by the entries in the book. They did know that the book was brought to the bank by Edith Webb when the checks or money were deposited and when the payments were made; but they had no reason to suppose that he had surrendered possession of it entirely or that he did not know of the condition of the account, and they had a right to assume that he would advise them of any irregularity in the withdrawals.

It follows from what we have said in reference to the checks drawn in favor of the bank for account of the plaintiff which do not bear his indorsement and which were not placed to his credit that there was no error in the rejection of the defendant's first prayer, which sought to withdraw the case from the jury. The plaintiff's second prayer was not specially excepted to on the ground that there was no evidence legally sufficient to show that the defendant had failed to exercise ordinary care in paying out the money placed to the plaintiff's credit in his bank book; and, in reviewing the ruling of the court on that prayer, we must therefore assume that there was such evidence, notwithstanding we have said in passing upon the plaintiff's first prayer that there was no evidence legally sufficient to show want of ordinary care on the part of the defendant in making such payments. We think the prayer properly defined ordinary care and was free from any objection, other than the objection indicated which should have been raised by a special exception. There was no error in granting the plaintiff's third prayer.

He was entitled to recover, under the account for money received, etc., the amounts deposited and not placed to his credit in his bank book, except in so far as the checks for the same were paid to him or upon his authority. In other words, the plaintiff was entitled to recover in this case all money received by the bank for his account, except so much thereof as was entered to

his credit in the bank book and paid out by the bank without any negligence on its part and such sums as were paid to him, or upon his authority, on the checks drawn for his account but not entered in his bank book. The regulation, in reference to withdrawals printed in the bank book, only applies to deposits made in that book. There was no error in the rejection of the defendant's second and third prayers.

In the second, the court was asked to instruct the jury that the negligence of the plaintiff in allowing his book to remain in the possession of Edith Webb directly contributed to his loss and that the verdict should be for the defendant; and the instruction asked for in the third prayer was that, if the jury found that the conduct of the plaintiff in allowing his book to remain in the possession of Edith Webb was the direct cause of the loss complained of, then their verdict should be for the defendant, even though they believed that the defendant was guilty of negligence in making payments "from the account of the plaintiff." The suit was founded upon the contract between the plaintiff and the bank.

So long as the bank, in good faith, and in the exercise of ordinary care, pays out the money of a depositor in accordance with the terms of its contract, it is relieved of all liability for losses the depositor may sustain by reason of his negligence. But while the carelessness or negligence of the depositor, not known to the bank, cannot impose upon the bank any higher degree of care, no amount of negligence on his part ought to relieve the bank of its duty to use ordinary care, and we see no reason for the application of the doctrine of contributory negligence.

The question was considered and, we think, properly disposed of, in the case of Chase vs. Waterbury Savings Bank, 77 Conn. 295, 59 Atl. 37, 69 L. R. A. 329, 1 Am. Cas. 96, where the Supreme Court of Connecticut said:

> But without deciding whether there was sufficient evidence to go to the jury upon the question of the plaintiff's negligence, had that been a material inquiry in this case, we hold that the bank would not have been exonerated from liability for payments negligently made by its officers to Mrs. Keith, even if the jury could have properly found, from the evidence, that the plaintiff was guilty of the claimed negligence. . . . The question of contributory negligence is not involved in this case. If the bank officers failed to exercise ordinary care in making the payments to Mrs. Keith upon forged orders, the bank was liable to the plaintiff for the sums so paid. If the officers exercised such care, the bank was relieved from liability by the provisions of article 15 of its by-laws.

The defendant's sixth prayer was fully covered by its fifth, which was granted by the court, and there was no error in its rejection. The defendant's seventh prayer properly presented its theory of the case in regard to the withdrawals of the money entered to the plaintiff's credit in his bank book, and to that extent was free from objection. But it ignored the deposits or checks for his account not entered in his bank book, and was objectionable on that ground and properly rejected. There is no exception in the record to the modification by the court of the defendant's eighth prayer; but counsel for the defendant state in their brief that its omission was due to "inadvertence" in preparing the record, and that "it is agreed that the bill of exception shall cover the defendant's exception to said action of the court."

The prayer as presented to the court instructed the jury that, in arriving at a verdict, they were not to consider the evidence of Miss Haile and Mr. Whitelock in reference to any proposed settlement by Edith Webb, Priscilla Webb, or James Webb, or any evidence of the declarations of Edith Webb that the withdrawals made by her were illegal or improper, or any evidence of Mr. Whitelock "as to the conversations had by him with Edith Webb, Priscilla Webb, and James Webb with reference to said withdrawals." The court modified the prayer to the extent of instructing the jury that they could consider said evidence in determining the credibility of Edith Webb, Priscilla Webb, and James Webb. One of the questions of fact to be determined by the jury

was, was Edith Webb authorized by the plaintiff to draw the money? The defendant had offered evidence tending to establish such authority, and the testimony of Edith Webb was to the effect that the plaintiff told her that she could draw the money whenever she desired to do so or needed it.

In rebuttal, Miss Haile testified, over the objection of the defendant, noted in the seventh exception, that Edith Webb, in a conversation with her at Sykesville, said that "she realized that she had done wrong and she was perfectly willing to make it good in paying back so much each month." Edith Webb was not a party to the suit, and in order to make this evidence admissible as affecting her credibility a proper foundation for it should have been laid in the cross-examination of Edith Webb, which was not done. 2 Poe, P. & P. (3d Ed.) section 284. The modification of the defendant's eighth prayer, authorizing the jury to consider the evidence thus improperly admitted, was erroneous, and it follows from what we have said in regard to that prayer that there was error in the rulings in the sixth and seventh exceptions.

The defendant was not injured by the evidence admitted in the second exception, but there was fatal error in the ruling on the evidence in the first exception. Counsel for the plaintiff asked Edith Webb on cross-examination if the Savings Bank of Baltimore did not refuse to pay a check for $15 which she took to the bank with Goodman's name signed to it, and she was required to answer the question over the objection of the defendant. We know of no possible theory upon which this evidence was admissible. The mere fact that some other bank refused to pay a check presented by Edith Webb and signed by the plaintiff could not reflect upon the question of the degree of care exercised by the defendant in making the payments to her under the circumstances disclosed by the evidence.

There was also error in the admission of the evidence referred to in the third exception. The statements of counsel for the plaintiff to Edith Webb did not reflect upon either of the issues in the case. The evidence referred to in the fourth exception ought not to have been admitted. There was no evidence in the case to show that the teller of the bank knew that Goodman could not read or write at the time he gave the signature card to Edith Webb. Questions asked an expert on cross-examination ought to be based upon facts proved and ought not to assume facts of which there is no evidence. There was no error in the ruling on the evidence referred to in the fifth exception. The court properly refused to allow the witness to state whether the teller of a bank would be "justified" in paying out the money of a depositor under the circumstances stated in the question. The question whether the defendant bank was justified in making the payments to Edith Webb was one for the jury to determine under proper instructions of the court, and the opinion of an expert on that subject was not admissible.

Because of the errors pointed out in the first, third, fourth, sixth, seventh and eighth exceptions, the judgment appealed from must be reversed, and case remanded for a new trial.

Judgment reversed with costs to the appellant, and new trial ordered.

(97 At. Rep. 1005.)

Payment of Draft

WHERE a bank sends to a correspondent bank a draft with a bill of lading attached for collection, and the drawee has on general deposit with the collecting bank, when the draft is received, a sum more than sufficient to pay it, and, in conformity with his usual custom and course of dealings, instructed the collecting bank to pay the draft, and the collecting bank agrees to pay it by charging it to his account, and thereupon surrenders to the drawee the bill of lading attached to the draft, in accordance with this understanding and agreement, the transaction constitutes a payment of the draft as between the

drawer and the drawee, although the collecting bank was insolvent at the time and was placed in the hands of receivers on the following day, its insolvency being unknown to the drawee at the time he received the bill of lading and directed that the amount of the draft be charged against his account with the bank, and so far as appears, being also unknown to the officials of the bank at that time. Empire Cotton Oil Co. vs. Sellars. (Court of Appeals of Georgia. July 6, 1916.) 89 S. E. Rep. 454.

Insolvency

THE action of the stockholders of a national bank in voting to go into voluntary liquidation and in appointing a liquidation agent, pursuant to Rev. St., Secs. 5220, 5221 (Comp. St. 1913, Secs. 9806, 9808), is equivalent to the appointment of a receiver by the comptroller in its effect on the property and the rights of the creditors. The assets of the bank become a trust fund to be administered for the benefit of all creditors pro rata, and while the bank retains its corporate existence and may be sued, the effect of a judgment obtained against it by a creditor is only to fix the amount of the debt, and the judgment plaintiff can acquire no lien which will give him an advantage over other creditors. Merchants Nat. Bank of Richmond vs. National Bank of Lillington. (District Court, E. D. North Carolina. February 15, 1916.) 231 Fed. Rep. 556.

Special Deposit

WHERE deposits in a bank are made from time to time to the credit of the depositor as a public officer, entry thereof being made in a passbook and checks are drawn and paid in the ordinary course of business, monthly statements being rendered, testimony that it was the purpose of the depositor that the funds should be kept separate and should be always there so that they could be checked out at any time, affords no basis for regarding the amount on hand as a special deposit. Phillips vs. Yates Center Nat. Bank *et al.* (Supreme Court of Kansas. June 10, 1916). 158 Pac. Rep. 23.

Acceptance

A COMMISSION firm authorized a customer to draw against it after depositing certain bills of lading, but he drew and cashed the draft at a bank before such deposit; after finally receiving the bills of lading, the drawee wrote him they were getting the draft from the bank. Held, the draft was not accepted.

In view of Negotiable Instruments Law (Code 1904, p. 1481), Sec. 134, a letter from the drawee to the drawer accepting a draft would not be binding in favor of a bank which never saw the letter or advanced money relying upon it. Jones *et al.* vs Crumpler *et al.* (Supreme Court of Appeals of Virginia. June 8, 1916.) 89 S. E. Rep. 232.

Paying Deposits to Third Party

SUPPOSE A deposits funds in a bank, and later on B claims the deposits, alleging that A was his (B's) agent or trustee, or sets up one of dozens of similar claims that might be alleged under the circumstances. May the bank pay the deposit to B, or if so, does it pay at its peril?

The general rule is that a bank is not justified in paying over a deposit under such circumstances and if the claim is not sustained the bank must make it good.

"It requires neither argument nor authority," said the court in a recent case, "to show that when a bank refuses the check of its depositor, drawn against funds, and pays the money over to a third party, it does so at its peril and must assume the burden of proof to show not only that the money in question did not belong to the plaintiff but also that it did belong to the parties to whom the bank paid it."

A Successful Public School Bank

RHETA CHILDE DORR, writing in the New York "Evening Mail," describes an interesting savings plan employed by one of the New York public schools. The article follows:

Public School No. 14, 225 East Twenty-seventh street, Manhattan, has a school bank five years old, which has outgrown its school clothes and become a neighborhood institution. The school bank has done more to socialize the community than any other local agency, according to the account given of it by Herman J. Sonnenberg, the bank manager.

Dr. Sonnenberg, when he is not banking, teaches English to the boys and girls of the eighth grade, but at heart he is a great deal more interested in character building than he is in the English branches, and his principal, Dr. George L. Hentz, is that kind of a teacher, too.

The prime purpose of the school bank is to build character, not to save money, Dr. Sonnenberg explained. There is no object in just saving money. The meanest miser can do that. But there is an object in putting money aside instead of just spending it recklessly and without any regard for the good it might do at some future time of emergency. There is virtue in self-sacrifice, and there is a great deal of self-development involved in making sensible choices. These are the things that make saving money worth while, and it is the reason why Public School No. 14, in February, 1911, opened its bank.

Since that time the bank in this school has had net deposits of over $37,000. It had a balance on hand when the present school year closed of $5,272.41. On July 1, Dr. Sonnenberg transferred to individual accounts in the depository savings banks 210 children's school accounts, which means that these children had saved $10 or more. Some of the children have very large sums to their credit. An account of $100 is not uncommon, and one child has reached the dizzy height of affluence where $600 represents his wealth.

THE PARENTS' BANK, TOO

OF course this means that the school bank is the parents' bank. It means that Dr. Hentz and Dr. Sonnenberg have taught the parents of a working class neighborhood how to save money for the children and for the home.

"How have we done it?" said Dr. Sonnenberg. "Why, by making it very easy to put money in the bank and very difficult to take it out. We do not have a bank with a teller's window and officers, or any of those formalities. In our opinion a school is better off without them. This is our system: Every Monday morning our teacher in each of our sixty classrooms asks each child who has money to file by her desk and give her his contribution. Any sum from one cent up is accepted.

"The child has a bank book and his deposit is entered on it by the teacher, who also enters the child's name and the amount received on a blank. When all the money has peen paid in and the blank filled in properly the teacher adds up the column, seals the envelope, writes her name, the number of her room and the amount inclosed, and sends the envelope to the bank manager.

"I do not open the envelopes. I merely add on the adding machine the amounts recorded on the sixty envelopes and then send them with a deposit slip for the total amount to the savings bank. The account there is in the name of the school.

"As soon as any child has saved $10

we transfer his account from the school bank to the savings bank, and he gets a regular savings bank book. We do this twice a year just before interest time. The child continues to deposit in the school bank and to use his school bank book. As often as he saves $5 we transfer that money to his savings bank account, where, of course, it begins to draw interest."

BANKING MADE EASY

THIS kind of bank management, Dr. Sonnenberg believes, takes much less time than the other. Obviously sixty tellers can take money in faster than one or two. In some schools the children act as tellers, and, of course, they cannot work as quickly or as accurately as grown people. It is true that in the former case the children are learning something about banking and business methods, but the manager of the school bank of Public School 14 thinks the advantages of the method outweighed.

"Besides," said Dr. Sonnenberg, "we use the bank in our arithmetic lessons, our English lessons, and what not. We believe in going back to the children's own experience for our lesson work."

This is the Gary system, and it works wherever it has been tried.

When it comes to taking money out of the school bank, the child has to apply to the principal, and he must bring to the school either his father or mother. No note from the parent will suffice. The parent must be present, exactly as he would if the money were being withdrawn from the savings bank. This gives all hands a chance to consider carefully whether they really want to withdraw money or not. Often they decide that they want the money, but not enough to go through the formalities.

All checks have to be signed by the pupil, the parent and the principal. School checks are negotiable, and are as good as gold in the groceries and other shops of the neighborhood. The landlord takes them for rent, and often, in times of emergency, lets the rent run along for a time just on the strength of the bank book. A school savings bank book is good for credit in the shops also, as many discovered during the winter of unemployment a couple of years ago.

SAVING FOR A DOWRY

THIS, perhaps, more than anything else, has won the parents of school children over to the idea of saving. Now most of the mothers, when father hands over his pay envelope, slips a quarter or a half dollar out and put it away for John or Kittie to take to school on Monday morning. It is a family investment, although it stands in the child's name.

"None of our children went without shoes during the hard times," says Dr. Sonnenberg with pride. "None of our depositors were evicted, either."

One thrifty mother of a little girl in Public School No. 14 began when she entered school to save a little for her each week. As she grew older and the account grew large enough to be noticed the mother resolved that she would make the account her daughter's dowry. When the little girl was graduated the dowry had reached the amazing sum of $300. And it is still growing.

It is a common thing for the boys and girls to save for a business college or a trade course. Often Dr. Sonnenberg goes to one of these institutions and tells the manager that a bright boy or girl who cannot go to high school wants to take a $40 or $50 course of instruction. The child has no such sum saved, but the manager is asked to take, say, $10 on account and the balance when the child advances to a job. Rarely is there a refusal.

"Saving," said Dr. Sonnenberg, "is a habit. We therefore like our very smallest children to open accounts. If they keep on saving, even a very little, during their school life, we know that when they begin to earn they will save

something out of their wages. They can't help it. Well, what we have taught them out of school books that is going to help them through life more than what they have learned through the school bank?"

New York University Gives Banking Courses

THE young but progressive Wall street branch of New York University begins its third year in the Broad Exchange building this month with a very comprehensive offering in the way of specialized education for the banker.

In establishing courses in banking operations, the Wall street branch of the university performs a double function: it furnishes the ambitious employee instruction of university standard and it meets him, not half way, but at his very door. Situated as it is in the Broad Exchange building, the Wall street school is easily accessible to the downtown banker leaving his office at 5 o'clock, and the convenience of attending a lecture from 5:15 to 7 p. m. cannot fail to attract him.

As to the courses offered at the Wall street branch, there are three of prime interest to the banker: Banking Practice; Law of Banking and Commercial Paper, and Money and Banking. The course in Banking Practice has never been given before at the Wall street school and it is distinctly a new departure in specialized education. It consists of a fifteen weeks' series of lectures and recitations, and is intended to acquaint bankers with the improved methods of conducting business in the many departments of the up-to-date bank. The opportunity to discuss bank systems is given to the students, who bring with them the efficient methods of their respective institutions, and the course, in reality, becomes a clearing-ouse for the interchange of ideas.

The course in Law of Banking and Commercial Paper is designed to aid the bank employee in an intelligent understanding of the law governing commercial paper of especial importance is the law regulating banking operations. In this course are taken up the essential features of the contract between the bank and its depositors, points involving checks and drafts, while cases covering dishonored checks, forged checks, and false indorsements are clearly dealt with in the course, which extends over fifteen weeks. Cleveland F. Bacon, professor of the law of commerce and finance, will conduct the course.

Although not directly vocational in its scope, yet the course in Money and Banking gives the student a necessary and comprehensive grasp of the field of finance. Banking as an integral part of the machinery of credit is taken up in its larger relations to money and value, while an examination of the principal foreign banking systems is made. As an additional factor in the extension of credit, the Federal Reserve system is exposed. The course, which extends through fifteen weeks, is given by Mr. Major B. Foster of the School of Commerce.

With the Federal Reserve Act making possible greater operations in international banking, American houses realize keenly the necessity of knowl-

edge of the mechanism of foreign exchange. Meeting a widespread requirement, the course in Elementary Foreign Exchange gives the banker an excellent grasp of the various things that underly and play a vital part in the interchange of funds. Equipped with a knowledge of elementary foreign exchange, the student can follow up the more involved course in Advanced Foreign Exchange.

These subjects, given as they are at a most convenient time and place, should appeal to the young banker seeking to increase and perfect his business equipment.

The New Kern Amendment

A RECENT Washington dispatch reported that under the new Kern amendment to the Clayton anti-trust act, permitting "interlocking directorates," the Federal Reserve Board had granted the applications of 556 bankers to sit on more than one board of bank directors, and has rejected 123. A steady stream of applications is flowing in to the board, but action is necessarily slow, officials say, as under the law each case must be considered on its merits.

The Clayton act of October 15, 1914, prohibited directors of member banks of the Federal Reserve system from serving as directors in other banking institutions, except in certain specific cases, the purpose of the act being, in the language of the Judiciary Committee of the House, "to prevent, as far as possible, control of great aggregations of money and capital through the medium of common directors between banks and banking associations, the object being to prevent the concentration of money or its distribution through a system of interlocking directorates."

The Kern amendment to the Clayton act provides that, with the consent of the Federal Reserve Board, an officer, director or employe of a member bank may serve as officer, director or employe of not more than two other banks if such other bank or banks are not in "substantial competition" with such member bank. In passing upon the applications the board considers the facts submitted by the applicants and the recommendations of the Federal Reserve agents of the respective districts.

The board considers each case on its own merits, but takes the general position that "the mere purchase by two banks of commercial paper in the open market, or the making of time or demand loans on collateral securities having a wide market, or the purchasing of such securities, need not necessarily be considered as indicating 'substantial competition' within the meaning of the Kern amendment."

It is, however, the view of the board that "substantial competition" exists "in cases where the resources of the banks are of such magnitude or of such character that the ability of the banks jointly to grant or to withhold credit, or otherwise to influence the conditions under which credit may be obtained, might constitute them a dominant factor in the general loan market, even though the character of the deposits carried by the institutions in question might be quite different."

"The Federal Reserve Board," declared a recent statement, "considers two banks in substantial competition within the meaning of the amendment if the business engaged in by such banks

under natural and normal conditions conflicts or interferes, or if the cessation of competition between the two would be injurious to customers, or would-be customers, or would probably result in appreciably lessening the volume of business or kinds of business of either institution."

Following is a recent statement of the applications granted and denied in each Federal Reserve district:

	Granted.	Denied.
Boston	35	15
New York	134	48
Philadelphia	85	9
Cleveland	101	8
Richmond	49	28
Atlanta	8	1
Chicago	44	8
St. Louis	7	2
Minneapolis	10	..
Kansas City	15	1
Dallas	..	..
San Francisco	68	3

Institute Man Receives Merited Promotion

THE recent announcement of the elevation of Fred. W. Ellsworth, publicity manager of the Guaranty Trust Company of New York, to the secretaryship of that company, serves to demonstrate most emphatically the value of the training afforded by the American Institute of Banking.

Mr. Ellsworth is a graduate of the Institute and is a strong advocate of the principles for which it stands. He has been interested in the Institute ever since it was founded back in 1902, having been one of its organizers and also being a charter member of Chicago Chapter, A. I. B., of which he served first as vice-president and then in 1907 as president. He has attended practically every convention of the Institute and has, by addresses before bankers' conventions throughout the country, endeavored to impress upon those present the importance of the benefits to be derived from association with the Institute.

He began his banking career with the First National Bank of Chicago in 1892, working in various departments of that institution until he was put in charge of its advertising department in 1905. In 1910 he came to New York to take charge of the department of publicity and new business of the Guaranty Trust Company of New York. Since his connection with the company its resources have grown from $151,000,000 to over $520,000,000, it being now the largest trust company in the world and the second largest bank in the United States. There is no question but that the work of his department has aided materially in this growth.

Since coming to New York, Mr. Ellsworth has served as a member of the board of governors of New York chapter and is now a member of the Advisory Committee, which is working in conjunction with the committee of bank president of New York City in seeking support from the banks for the extension of the work of the chapter.

There are probably few bankers in the United States who are better known than Mr. Ellsworth and his many friends and acquaintances throughout the country will be glad to learn of his well merited advancement.

Attempt to Obtain Control of the Merchants National Bank of New York

FOR some time efforts have been going on to obtain control of the Merchants National Bank of New York. This well-known institution was organized in 1803, and for more than a century has gone on under conservative management, a credit to New York banking and to its management.

It is unfortunate that a bank like this is often looked upon enviously by those who see an opportunity for successful speculation. The stock of the Merchants Bank has been very inactive and as is usual in such cases has been selling, on the few occasions when sales were made at prices based upon the dividend paid rather than upon its real value or upon its earnings.

It is to be deplored that in the efforts of the syndicate to obtain control of the bank the stockholders have been sent letters containing suggestions calculated to raise false assumptions and suspicions in the minds of the owners of the stock.

For instance, in a letter to the shareholders dated September 12, 1916, the syndicate manager includes the double liability of the stockholders with capital and surplus, in order to bring down the percentage of dividends to capitalization.

Without making any direct statements, the circular points attention to the losses incurred by the bank during the past five years, which, as a matter of fact, have been small and would probably compare favorably with the record of other well-managed banks during the same period.

It is suggested that big losses (which never occurred) may have been due to absence of the president from business, whereas he has been at his desk practically all the time.

The number of active officers is by inference placed at two, while in fact there are five, and the suggestion is made that possibly too much work and responsibility is placed on one man.

In a question raised regarding the salary of the president and an increase which was made in the same, it is stated that his salary at the age of seventy was $15,000, and that now it is $30,000, while in fact ten years ago the president's salary was $20,000 and now is $25,000.

Contrary to the suggestion in this letter, the directors, though "mostly busy and important men with many matters demanding their attention" (which is usually true of bank directors who are worth while), attend meetings regularly and are actively interested in the affairs of the bank.

Allusion is made to low quotations and inactivity of the stock, which of course is not extraordinary considering that most shareholders were well content to hold their stock. A false inference, too, is brought out from the sale of a block of stock which had been for sale for a long time "at a price."

In another letter recently put out, attention is called to an apparent falling off in the deposits of the bank, which in the statement of June 30, 1916, were $34,270,000 and September 12 were $30,026,000. Everyone familiar with banking knows of the fluctuations of gross deposits from entirely legitimate causes. As a matter of fact, the gross deposits of the bank September 15, three days later than the date of the last call of the comptroller, stood at over $39,000,000.

The growth of the Merchants Bank, while not spectacular, has been solid and substantial, and for the past ten years its business has been more profitable than in any previous period in its history.

The dividend rate was increased January 1, 1913, from seven per cent. to eight per cent., and the bank has enjoyed increasing prosperity from year to year, and has added substantially to its surplus account. It is therefore entirely reasonable to expect that the directors will increase the dividend rate in the immediate future, as the bank has recently reported earnings largely in excess of its dividend requirements.

While the syndicate offer for the stock was 205, the book value is over 220, and at this writing the latest sale was at 231.

The directors of the bank are such men as John A. Stewart, chairman of the board of trustees, United States Trust Co.; Robert M. Gallaway, president; Charles D. Dickey, of Brown Brothers & Co.; Edward Holbrook, president of the Gorham Mfg. Co.; William A. Taylor, of Taylor, Clapp & Co.; George Zabriskie, of Zabriskie, Murray, Sage & Kerr, lawyers; Charles A. Boody, president People's Trust Co., Brooklyn; Gustave Schwab, of Oelrichs & Co.; Joseph Byrne, vice-president and cashier; T. Frank Manville, president H. W. Johns-Manville Co.; John P. Stevens, of J. P. Stevens & Co.

Sunken Treasure Ships

As a complement to Mr. Del Mar's interesting article on the above topic, in the July Bankers Magazine, the following extract from a paper on "Improvements in Deep-Sea Diving," from the "Bulletin of the Pan-American Union," will be found interesting:

"The fact that a diver can descend to such depths and direct submarine work makes possible the salvage of ships and treasures that have lain at the bottom of the sea for many years, for many of these are in water that is no deeper. Among such may be mentioned the Merida, sunk in collision with the Admiral Farragut east of Cape Charles in 300 feet of water, having a cargo of $500,000 in silver bars, $300,000 in gold, and perhaps $200,000 worth of valuables in purser's safe; the Lusitania, torpedoed May 7, 1915, 12 miles south of Kinsale, Ireland, in 270 feet of water, carrying at least $1,000,000 in gold and jewelry and several millions in securities; the Oceana, sunk off Beachy Head, March 16, 1912, with $5,000,000 in gold and silver, part of a Chinese loan; the Islander, sunk in 320 feet of water near Juneau, Alaska, with $2,000,000 in gold; the General Grant, wrecked on coast of Auckland Islands in 1866, in 80 feet of water, carrying $15,000,000 in gold bars and bullion; the flagship Florentia, lost in Tobermory Bay, off the west coast of Scotland, with $15,000,000. Among the ancient wrecks which carried treasure may be recalled the Spanish galleon Santa Margarita, which, in 1597 sailed from Santo Domingo with $7,000,000 on board and was wrecked in Mona Passage near Porto Rico; also the famed fleet of 17 Spanish galleons, loaded with treasure worth $140,000,000, collected in South America and the West Indies, attacked by the Dutch and English fleets in Vigo Bay, Spain, and sunk by the Spaniards to prevent their falling into the hands of their enemies. It is said that six of these were subsequently raised and about $20,000,000 recovered, but the others, with their $120,000,000 of treasure, still lie at the bottom of the bay. In view of the recent accomplishments of the divers of the United States Navy, may not the dream of recovering much of this lost treasure become a reality?"

Meeting After-War Competition

[From a Circular Letter Issued by H. P. TAYLOR & CO., New York]

REVERSION to the old status would be obstructed by the mass of the returning soldiers, who will feel that the country owes it to them to provide them with employment, and who will be more confident of securing it if the government retains its grip on the industrial organization than if it reverts to private hands.

Reversion, again, would be opposed by the governments themselves, for the economic struggle immediately following the clash of arms will result in victory to the nation which keeps the closest control over its commercial and industrial resources. Germany will be stronger for "regimentation" of her industries than ever, and the allies are showing that they do not intend to allow her to gain on them commercially as fast as she did between 1871 and the outbreak of the present war.

The conclusion is hard to resist, therefore, that the producing interests of the United States will soon be competing not with English, French and German subjects in trade, but with the English, German and French governments.

It would seem, in view of this probability, as if the merchants and manufacturers of the United States, confronted with the prospect of having to contend with such formidable competitors both in foreign markets and in the home market, should be given all the aid by their own government that is possible. And the worst thing that could happen would be blind antagonism, on the part either of Congress or public opinion, to such legislation as may be required to enable our industries to enter the struggle unhandicapped.

It would not be possible in this space to give a detailed recital of the extent to which industry has been nationalized in the warring countries, but enough may be cited to show that what has occurred may accurately be described as an industrial revolution. It is reorganization of a radical, fundamental character. In estimating how largely it will affect our own industrial organization we must not make the mistake of assuming that it is wholly temporary or that it will have no power to react on our own industrial conditions. That government socialism has gone a long way in Germany is known by everybody. Now, under the fierce impetus of war, Great Britain has been driven far in the same direction. Sir Gilbert Parker, M. P., remarked in a statement prepared for American publication the other day:

"Americans should understand that it is not alone in the field of battle that Great Britain has proved her capacity for organization. She has proved it in the civil field; she has nationalized the railways of the country and has paid the regular dividends; she secured the sugar crop of the world at the very beginning of the war, through which sugar is cheaper today in Great Britain than it is in the United States, and at the same time has got out of it a revenue of nearly $34,000,000.

"She rescued the British people from being done by meat trusts by seizing all ships which could carry chilled meat, and, having the ships, she could get her meat on fair terms and has done so— 50,000 tons a month for Great Britain and France, and 10,000 tons for Italy.

She has also supplied France with steel, boots, shoes and uniforms. She has made coal a public military service, and by act of Parliament has fixed the profit of the coal mines, and she supplies the British, French and Italian navies with coal.

"She has organized the purchase of wheat by a small committee, which also buys and ships wheat and oats, fodder, etc., for Italy. She has bought up the fish supply of Norway, and very lately bought up, against German intrigue, the great bulk of food exports of Holland.

"She has put on a twenty-five per cent. income tax, which has been paid without protest by the mass of the British people. She has drawn upon her financial resources till she has loaned her allies and her oversea dominions £450,000,000, and she has taken as high as eighty per cent. of the war profits of the great manufacturing firms.

"The organization of Great Britain is not ornate and spectacular, but there never was a time when all the people of the country were so occupied in national things, when so many have given themselves up, without pay or reward, to doing national work."

Thus the day has arrived in Great Britain when the government is the principal employer, nor will there be any lack of powerful, though demagogic, efforts to convince the people that it is best that this condition should remain. As a matter of fact, the taint of Socialism is strong in both Prime Minister Asquith and David Lloyd George, the two most influential public men in England today. Mr. Asquith went so far as to declare only ten days ago in the House of Commons that it was the "bounden duty of the allies, to take every step to secure for their own use the supplies produced by their own countries."

Certain commercial changes, he continued, amounted to a revolution. The Board of Trade was engaged in a scheme to render the country independent of supplies from hostile belligerents in respect to dyes, spelter, etc. The plans for research had already been perfected.

The Government, added the Premier, was in consultation with labor representatives with a view to the formulation of "an after-the-war policy in social and industrial matters intended to secure a fairer distribution among all classes of the results of modern industry."

Lest we in this country fail to grasp the full significance of what such high official utterances as the foregoing mean, it is well to note that, according to the London Express, the Government is very seriously considering the abolition after the war of what sociologists call "preventable poverty." It believes the Ministry is undivided on this matter and that certain very prominent men are favoring "ways and means to bring about a system of state control or guidance of the distribution of wealth."

If all this means that the still highly individualized and privately managed production of the United States is to be forced after the war to compete in the world's markets (and even in our own) with European production under government management, the problems ahead of us are larger than perhaps we commonly anticipate. We believe some of our industrial and financial leaders long ago saw all the possibilities of the situation, and that in encouraging an agitation for industrial preparedness they had in mind preparedness not for a war of shells, but a war of economic production, with Europe resorting to methods which were not dreamed of a few years ago and which make it needful that the efforts of American enterprise to overcome this novel condition shall not be hampered and harassed by the shortsighted theories which inspired the Sherman law. Our chief producing interests will have to have liberty of combination, and they will have to have more labor, cheaper labor. The liberty of combination they must look to Congress to give them, and for relief from rising labor costs they must look to a renewal of immigration. Their hope of the latter rests on the knowledge that the places of millions of European working men drafted for military service have been taken in field and factories by women and European after-war conditions will be so burdensome that there

will almost certainly be a large emigration to America unless the European governments interfere.

Machinations of the Money Power

THIS paragraph is from a recent issue of "The Statist," London:

"Every government desires to maintain active trade conditions, not only because active trade helps to make it popular, but also because activity of trade is of benefit to the country, and with a presidential election coming on it is obvious that the present American Government will do all that it can do reasonably to maintain active trade conditions, and if necessary, will set free the cash that is accumulating and is unused in the Federal Reserve Banks."

Plainly this is an attempt of an organ of the British moneyed aristocracy to discredit the Federal Reserve Act. Who but an agent of the money power could ever have imagined that the cash accumulated in the Federal Reserve Banks is to be used in bolstering up the fortunes of a political party?

Labor Our Most Complicated Problem

THE Mechanics and Metals National Bank of New York is sending a letter to its correspondents throughout the United States calling their attention to the graveness of the labor situation and asking for an expression of opinion on the immediate prospect. The letter reads in part as follows:

Last March, when sending you a report of our condition, we took occasion to direct notice to the shortage of labor throughout the country, and to the many claims that were pressing, or were impending, for higher pay. Since March, the labor situation has developed so many individual crises that it has become unmistakably the most important subject of the day, as affecting the trade and commerce of the country. One after another disputes have arisen between employers and employed; in the great majority of cases these have resulted in wage advances or their equivalent.

The unusual circumstances of the time have made it seem advisable to accede to labor its demands, and wages are now on a higher plane than they have ever been before. No more complicated problem, however, confronts the American people today than that which deals with our industrial position when Europe's war ends. And nothing more complicates the problem than the constant striving of American labor to produce less and earn more, at the very time that European labor is learning how to increase its production and do with very much less.

Money conditions continue easy, and we are inclined to the opinion that there can be no notable advance in rates so long as gold pours into the United States from Europe. For twenty weeks past, gold has been sent hither from abroad at an average rate of $15,000,000 weekly.

May we not have from you a word expressing your opinion on the immediate prospect, financial and industrial?

Directors' Fees

THE Comptroller of the Currency has made public the following statement regarding the fees paid by national banks to their directors, as shown by the reports on this subject to the comptroller's office in the year 1915.

The figures given include reports from about 7,500 out of 7,600 national banks. About one-half of these national banks (principally the country banks) advise that they pay no fees to directors. Reports from the other half, or, say, 3,708 banks, show the following fees paid each director per meeting attended:

Banks paying directors' fees of less than $1 (all being country banks)....	34
One dollar but less than $2............	681
Two dollars to $3	1,179
Three dollars but less than $5........	402
Five dollars	997
More than $5 but less than $10........	51
Ten dollars	268
Over $10	96
	3,708

There were only 43 banks in the reserve and central reserve cities which reported paying their directors less than $5.00 per meeting, and of the 96 banks paying more than $10.00 per meeting, 18 were located in central reserve cities, 8 in other reserve cities, and 70 were country banks.

A. I. B. In Annual Convention

MORE than 500 delegates from all over the country attended last month the annual convention of the American Institute of Banking held at Cincinnati on September 20, 21 and 22. The following officers were elected:

President, E. G. McWilliam, Los Angeles, Cal.; vice-president, H. J. Proctor, Richmond, Va.; executive council members, William A. Nichert, Philadelphia; C. A. Cheney, Kansas City; James Rattray, Buffalo, and George F. Kane, Hartford, Conn.

The delegates were welcomed by Mayor George Puchta.

The Mayor praised the bank men for the virtues for which they were noted, those of intelligence, integrity, reliability, and read an "ode to the reliable man." He declared that many officers of Cincinnati banks had risen from the ranks. He informed the delegates that the city was theirs during their stay there.

E. G. McWilliam
PRESIDENT AMERICAN INSTITUTE OF BANKING

T. J. Davis, president of the Cincinnati Clearing House Association, welcomed the delegates on behalf of the banks of Cincinnati.

He paid tribute to the Institute for what it has accomplished in fixing in the public mind that banking is a distinctive profession, acquired as law and medicine and the other learned professions are, by study and experience.

Replying to the address of welcome for the Institute, H. J. Dreher, New York City, told of the great pioneer activities in banking that now confronted the American banker. He declared that bankers imbued with American traditions and ideals must stand forth, and give all that there is in them for the advancement of America in the outposts of civilization.

Mr. Dreher, in telling of the new financial importance of America in the world, said that in 1914 England's wealth was estimated at \$88,000,000, while today America's wealth is estimated at \$200,000,000.

CHANGED CONDITIONS IN BANKING

THE new field which has opened up for American banking, the changed conditions in the profession, and the broader requirements necessary for success as a banker were eloquently portrayed to the delegates by John J. Arnold, vice-president First National Bank, Chicago. Mr. Arnold, who is a charter member of the first chapter of

the Institute formed in America, took for his topic "The Banker of Tomorrow."

He emphasized that the character of the American banker has changed from that of a local money lender to a financier of constructive work throughout the world. He said the great war has brought the fact that America has become a world financial power sharply before the public. These changed conditions require broader vision, wider knowledge and a deeper understanding of the laws of international banking than has heretofore been required of the banker.

President Robert H. Bean, Portland, Maine, presented his annual report and that of the Executive Council, telling of the work of the institution for the year. He said the results attained have proved the value of the institute's work. He reported that the Institute now has 69 city chapters with a membership of 15,644 and a correspondence chapter with a membership of 2,452, a total of 18,096. There are 1,940 men now holding certificates of graduation from the Institute. A tribute to George E. Allen, educational director, contained in Mr. Bean's report, brought a rousing demonstration to the veteran of the Institute.

J. H. Daggett, vice-chairman, reported the recommendation of the Executive Council that the by-laws be changed to reduce the members of the Executive Council from 15 to 9, to be composed of the president, vice-president, retiring president, ex-officio, and six members, two to be elected each year for three-year terms.

BANQUET THE CLIMAX

THE dinner was the climax of the convention. Some 750 Institute members and guests were in attendance, and a royal spirit of fellowship was developed. The dinner was the occasion of a fine tribute to George E. Allen, the veteran educational director. On behalf of the older members of the Institute he was presented with a handsome silver service of 240 pieces. The presentation was made by Mr. Wills.

Casper H. Rowe, vice-president of the Market National Bank, presided as toastmaster.

L. F. Kiesewetter, vice-president, Bank of New York, N. B. A., in a witty and entertaining address, told what manner of man a banker should be. Personality, integrity, vision, energy and the other virtues were portrayed as essentials with a good layer of common sense.

Equally as entertaining was the talk of F. W. Ellsworth, secretary of the Guaranty Trust Company, New York, who told how and why the Institute has made good. About 1,500 Institute men have become bank officers, and when the new Federal reserve law was put into operation the commission formed to work out its practical inauguration was composed entirely of Institute graduates.

Mr. Ellsworth declared the Institute has stood for the making of men and has made good.

D. C. Wills, Federal Reserve Agent of the Cleveland district, declared that the success of the Federal reserve banking system has been the triumph of theory. Mr. Wills paid his compliments to those bankers who have been predicting failure and disaster for the system:

"There have been those who believed that conditions usually did not reflect theories," said Mr. Wills, "and insisted on conducting their affairs, not according to fundamentals or underlying principles, but according to the promise of immediate gain or other consideration which satisfied their practical instincts. Oftentimes they used what has been called 'horse sense.' But in this automobile age horse stuff has lost its premium.

"There are bankers today, not a majority of the bankers in the country, but a group of so-called 'practical' bankers who can see little good in the Federal reserve law, and are predicting all sorts of untoward occurrences as a result of its enactment and operation."

DEBATE HELD

THE debate on the closing of open accounts of over 30 days by acceptance being an improvement over open book accounts was won by the Syracuse Chapter, which took the affirmative. They were awarded the silver cup for one year. William A. Boyd, Albert B. Merrill and Arthur A. White composed the winning team. Chattanooga's representatives were G. A. Rice, J. H. MacDowell and N. J. Simmons. The judges were Frederick Hertenstein, Kenneth Hooker and Prof. Hicks, all of Cincinnati. Carl H. Chaffe, Philadelphia, presided.

Another interesting feature of the convention was a symposium on thrift. Chairman McWilliam pointed out that thrift was a vital factor in the nation's preparedness. The talks were devoted to the work being done by the Institute in spreading the gospel of thrift, and to the benefits of cultivating the saving habit in people to themselves, the community and the banks.

Those taking part in the symposium were H. E. Reed, Pittsburgh; T. H. West, Portland, Ore.; John S. Curran, San Francisco; Stuart Beckley, Dallas, Texas, who read a paper prepared by M. B. Keith, Dallas, Texas, and Milton W. Harrison, secretary of the savings bank section, American Bankers' Association.

The big feature of the program was an address by Paul W. Warburg, vice-governor Federal Reserve Board, Washington. Mr. Warburg's talk was on "The Reserve Problem and Future of the Federal Reserve System." Many of the city's leading financial and business men attended the address.

New York's Oldest Bank

IN 1784 the Bank of New York was organized for business under articles of association drawn up by Alexander Hamilton. It was the second bank to be organized in the United States.

The moving spirit in the Bank of New York was Alexander Hamilton. He drafted its constitution and controlled its policy, though holding no other official position than that of a director. Aaron Burr, his political rival was a stockholder in the bank. General Andrew McDougall was the first president and William Seton the first cashier.

In 1865 the Bank of New York took out a national bank charter, merely adding the words "National Banking Association" to its name, thus preserving its old title, but indicating the fact that henceforth it was to be a national institution. Since 1797 the bank has occupied its present location at 48 Wall street. The building which it now occupies was erected in 1857 and was enlarged in 1879.

In view of the present magnitude of foreign trade, it is interesting to note that the Bank of New York was among the first of the American banks to create a fully equipped foreign department. Fifty years ago this bank began building up its connections with foreign banks and bankers in all parts of the world. Today these early connections have ripened into friendly associations extending over half a century and for this reason the bank's foreign department is splendidly equipped to meet and solve the foreign exchange problems of its clients—problems which, on

account of the peculiar conditions arising from the world war, have never been more difficult of solution than at present.

The Bank of New York, in addition to its other connections of importance, is the attorney in the United States for The British Bank of South America, Ltd., The London and Liverpool Bank of Commerce, Ltd., and Messrs. Fruhling & Goschen of London. This unique connection carries with it the privilege of issuing letters of credit for account of the foreign bankers and is one not enjoyed by any other bank in the country.

The Bank of New York, N. B. A., is not only an historic institution in which the people of New York take a just pride; it is a bank which, while rich in the traditions of the past, is also keenly alive to the needs of the present. It is a progressive modern institution backed by the experience of one hundred and thirty-two years.

The officers of the bank are the following: Herbert L. Griggs, President; Charles Olney and L. F. Kiesewetter, Vice-presidents; Joseph Andrews, Cashier; Clifford P. Hunt, F. A. Klingsmith and Robert E. Miller, Assistant Cashiers.

A list of the directors with their business connections follows: Herbert L. Griggs, President; James Brown (Brown Brothers & Co.), banker; William Sloane Coffin (W. & J. Sloane), carpets; Henry D. Cooper (James F. White & Co.), linens and jute; Philip T. Dodge (President Mergenthaler Linotype Co.); Robert C. Hill (Madeira Hill & Co.), coal; Eustis L. Hopkins (Bliss, Fabyan & Co.), cotton goods; Samuel T. Hubbard (Hubbard Bros. & Co.), cotton; Charles D. Leverich, New York; William J. Matheson, New York; Ogden Mills, New York; Charles Olney, Vice-president; Anton A. Raven (Chairman Atlantic Mutual Ins. Co.), New York; George L. Rives, lawyer, New York; Henry C. Swords (President Fulton Trust Co., New York).

At the last comptroller's call, September 12, 1916, the Bank of New York made the following statement of condition:

RESOURCES.

Loans an investments........		$32,245,720.89
United States bonds to secure circulation		800,000.00
Due from banks and bankers..		1,602,649.96
Customers' liability on letters of credit and acceptances..		7,535,556.88
Exchanges for clearing house		22,787,182.70
Due from Federal Reserve Bank		2,338,384.31
Cash		3,938,611.82
		$71,248,106.56

LIABILITIES.

Capital		$2,000,000.00
Surplus and undivided profits		4,923,982.10
Circulation		784,187.50
Letters of credit and acceptances		7,690,920.74
Deposits:		
Individuals ...	$29,595,139.21	
Banks and bankers	11,161,236.59	
Certified checks	13,702,076.60	
Cashier's checks outstanding..	1,390,563.82	
		55,849,016.22
		$71,248,106.56

Book Reviews

INTERNATIONAL FINANCE. By Hartley Withers. New York: E. P. Dutton & Co. (Price $1.25 net.)

WITH the growing interest in international finance being shown in this country, Mr. Withers' book should prove interesting to American bankers. Its author is a man of wide experience and repute in the field he explores in this volume. For some time he was an expert adviser to the British Treasury, and more recently editor of the London "Economist." He is a well-known and able writer on financial subjects.

"International Finance" describes the methods and the machinery of money-lending between countries and shows the various functions of international finance. The book has been prefaced especially by Mr. Withers for American readers.

PRINCIPLES OF ACCOUNTING. By Stephen Gilman, B.S. Chicago: La Salle Extension University.

THE many excellent books that have summed up this large and important subject have been useful to the mature accountant for reference, but have generally been impenetrable to the novice. In spite of laborious reading he cannot see why certain accounts should be debited on certain occasions—his perverse instinct tells him they should be credited, and nowhere can he find the mystery explained. This is simply because he has never had the fundamental conception of the science explained to him with the convincing clearness that only a master teacher can employ.

This adds interest to the announcement of a new text which seems destined to hit the nail on the head. It has been prepared by Stephen Gilman, B.S., a man who has already put the stamp of his acute mind on many departments of business and science. For several years he was manager of the credit department of the Tennessee Coal, Iron & Railroad Co., a position which involved the closest analytical study of the accounting, cost-finding, and efficiency methods of many widely divergent kinds of business. In addition, Mr. Gilman has made a distinguished position for himself as a teacher of accountants—a work in which he has been so successful that he now devotes his entire time to the educational field.

The new book, "Principles of Accounting," is the result of long and careful work. In addition to the exposition there are extensive illustrations based on actual practice. A strikingly attractive device is the use of diagrams and charts showing the relation of various accounts to each other, the organization of business, etc. At the end of each chapter is a series of questions by which the student can quickly test his understanding and retention of the material just studied.

Teachers will be especially attracted by the author's thoroughly modern point of view. Without any suspicion of bombast he makes the student feel that accounting has become a great and distinguished profession. It has in fact developed from mere bookkeeping to a commanding position in the business world. The vast schemes of modern industry and finance await the approval of the accountant before they are set in motion. By this expert opinion they stand or fall. No smaller conception of the science of accounting than this deserves to be presented to the student of to-day.

THE FARM MORTGAGE HANDBOOK. By Kingman Nott Robins. New York: Doubleday, Page & Co. (Price $1.)

THIS compilation of facts regarding the methods by which the farmers of the United States and Canada are financed is especially intended for investors seeking investments in farm mortgages. Mr. Robins, the author, is treasurer of the Associated Mortgage Investors and vice-president of the Farm

Mortgage Bankers Association of America. His dealing with the qualities of the farm mortgage as an investment is of very great interest and value, and the same may be said of the summary given of experiences in the farm mortgage business in other days—experiences which many people seem either to have forgotten or never to have heard of. In studying the new rural credits legislation a book of this kind will be helpful as a guide.

ᵀ AND CREDITS—A PLEA FOR THE AMERICAN FARMER. By Dick T. Morgan. New York: Thomas Y. Crowell Co. (Price $1.50 net.)

ENACTMENT of the rural credits law by the Congress now in session will undoubtedly stimulate the study of land credits. The book by Mr. Morgan will prove of great help in the investigation of this important subject, for it represents an immense amount of painstaking labor, resulting in bringing together a great deal of valuable material relating to this important subject. The principles which the author believes fundamental in regard to this subject are clearly stated and supported by able arguments and facts brought together from the experiences of rural credit institutions in Europe. His arguments against a multiplicity of bond-issuing banks seems not only sound, but overwhelmingly convincing. Such centralization would bring about the very thing most desired in improving the character of farm loan investments, because it would give a uniform quality to the bonds and would standardize the business methods and appraisements and other regulations in regard to the security underlying the bonds. While this important principle was disregarded in the recent law, in practice a certain degree of uniformity may be reached, but it will be through a cumbersome and expensive system.

Mr. Morgan has represented an Oklahoma district in Congress for several terms, and is a diligent student of public questions. His book on Land Credits is a statesmanlike discussion of a problem of great concern, not alone to the farmers, but to all others, for agriculture, being one of the greatest of our basic industries, its prosperity is vital to the country's welfare.

ECONOMICS OF WORLD TRADE. By O. P. Austin. New York: Business Training Corporation.

THIS is the first of a series of texts for a course in foreign trade, issued under the direction of Dr. Edward Ewing Pratt, Chief of the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce. The volume contains an "Introduction to the Course in Foreign Trade," written by Dr. Pratt, which discusses the various factors that make foreign trade a dominant factor in American commercial prosperity. Dr. Pratt traces the development of the United States from the time when we were a commercially provincial nation down to the present, when we have assumed the export leadership of the world. The significant increase in the proportion of our manufactured to our raw materials and footstuffs exports is graphically brought out.

"Will we and can we retain this increased trade?" is a question which Dr. Pratt both asks and answers. The level of costs after the war, the factors of commercial good-will, capital requirements and supply, and labor conditions in Europe after the war, as they bear on our future export trade, are also discussed.

As a means of holding our foreign trade, Dr. Pratt lays special emphasis on the lack of men with proper training. In other words, our boasted educational system has failed in providing for one of our most obvious needs.

Following the introduction is the first text, which is written by O. P. Austin, statistician of the National City Bank, and formerly Chief of the Bureau of Manufactures of the United States Government. This part of the volume sets forth the underlying factors which control the world currents of foreign trade.

The Old Banker Speaks

What has become of the old counting houses—
Those grim and grimy banking parlors
That were the terror and the delight of my childhood?

How well I remember when I was a small lad
Being allowed to spend all day at my father's.
How terrifying and yet how fascinating it was!
What romantic possibilities lurked
Behind those darkened nooks and corners!

How I gazed in awe at that strange assortment
Of shabbily dressed clerks that sat
On enormously high stools
Laboriously writing with pens that squeaked
And sent the cold chills down my spine.

Why was it that when my father left
They all suddenly stopped writing,
Exchanged sly winks
And made strange remarks
About the "young 'un" and the "old boy"?

And there was the old clock overhead
That ticked away the hours solemnly,
As though it recognized the dignity
Of its duties.
Now and then one of the clerks would
Glance at it, yawn, stretch and go on
Adding those endless columns of figures.

And then when five o'clock stole around,
With what unwonted ardour they
Closed the big ledgers, put away the pens
And hurried away, whistling.

Finally, my father came from that
Mysterious little room
Where he had been sitting all day
Doing I know not what.
Together we went out into the lamp-lighted streets
And went home—wild adventure—in a horse car.

Many a night thereafter I dreamed
Strange wonderful dreams—and the fascination
Of it all never left me.

But, alas, those days are gone. One by one
The old familiar landmarks have been
Replaced with marble palaces, glittering
In their splendor.

But the romance of the old counting house
Will never die: and the wonder of it
Still dwells in my heart.

K. F. W.

Modern Financial Institutions and Their Equipment

NEW HOME OF THE CENTRAL STATE BANK OF JACKSON, MICHIGAN

Michigan Bank in New Home

THE Central State Bank of Jackson, Mich., has moved into its new banking home, which is a modern, fireproof structure and the tallest business block in Jackson.

The entire first floor of the building is devoted to the bank's offices and contains every facility for meeting the needs of Jackson's banking public. The floor space devoted to banking purposes is 40 feet wide by 64 feet long.

Among the features of the bank is its splendid vault equipment. In this vault are located four hundred safe deposit boxes for the use of the bank's patrons in connection with which there are two light, airy coupon booths for the examination of papers and documents.

Another feature of the bank's equipment and one which will be highly appreciated by its patrons, is the mezzanine, located at the south end of the office space, which has a well-appointed, comfortable directors' room, which is finished in solid mahogany.

The interior finish of the offices throughout is of a dignified restful character that adds both to the comfort of the patrons in the transaction of their banking business, and to the efficiency of the bank's organization. The equipment throughout has been designed with an idea of furnishing the highest type of service, and every provision has been made for the comfort of clients and for the smooth operation of banking transactions.

At the front of the lobby there is a ladies' rest room which is tastefully decorated and comfortably furnished. In addition to this there is located behind the cashier's room a private consultation room that is at all times available to clients of the bank. The entire banking quarters are finished in English vein marble and solid mahogany.

HISTORY OF THE BANK

THE Central State Bank was organized in 1908 with original deposits of $28,000, which have increased to over $1,175,000 at the present time. New accounts are being opened at the rate of about 150 a month.

The original board of directors consisted of the following: H. R. Page, president; F. E. Palmer, vice-president; Hugo C. Loeser, vice-president; Richard Price, W. W. Wright, L. R. Welcome. W. H. Joyce, Thomas B. Taylor. Upon

W. E. Bullard
CASHIER

F. E. Palmer
VICE- PRESIDENT

L. A. Worch
ASSISTANT CASHIER

the death of Mr. Joyce the vacancy thus made was filled by the election of Jos. W. Marks, who has served on the board since that time.

The fact that there has been only one change in the directorate in the eight years of the bank's existence is an ample indication of the conservativeness of its management.

Charles J. Higgins was the first cashier elected by the board in 1908 and served until April, 1911, when he left to take up the cashiership of a new bank at Detroit, Mich. W. E. Bullard, formerly with the People's State Bank of Detroit, was elected to succeed Mr. Higgins, and has been in active management ever since.

MAIN BANKING ROOM, CENTRAL STATE BANK, JACKSON, MICH.

VIEW OF MAIN BANKING ROOM SHOWING LADIES' ROOM ON THE LEFT
CENTRAL STATE BANK, JACKSON, MICH.

The total deposits of the bank at the time Mr. Bullard took charge were $449,701.20, and since then they have been increasing as follows:

June 7, 1911	$557,810.99
April 18, 1912	587,514.35
April 4, 1913	578,286.57
March 4, 1914	545,647.99
March 4, 1915	602,214.48
December 31, 1915	746,961.45
May 1, 1916	867,718.86
July 6, 1916	1,175,806.99

Louis A. Worch, formerly city treasurer, was elected assistant cashier in 1908. Mr. Worch is very popular among Jackson business men and his wide acquaintance and friendships have been of no little value to the bank.

The official roster now includes the following: H. R. Page, president; F. E. Palmer and Hugo C. Loeser, vice-presidents; W. E. Bullard, cashier; L. A. Worch, assistant cashier.

Would Eliminate Over-draft Evil

C. E. CROOKS, cashier of the State Bank of Goldendale, Wash., is opposed strenuously to overdrafts, and told at a recent meeting of the state association of the seeming necessity of being lenient to some well known patrons of the bank. Country banks, said Mr. Crooks, have the hardest problem in that the cashier knows most of his patrons and fears to displease them when they have misjudged the amounts of money to their credit. Good customers going to other banks on account of a strict enforcement of this overdraft rule is another obstacle mentioned. The remedy, according to Mr. Crooks, is the complete co-operation of all of the bankers in an attempt to really enforce a stringent overdraft law.

International Banking and Finance

Strength of British Banking

EXPLAINING the policies upon which the British banks have grown strong, the London "Statist" says:

"The great strength of British banks comes, in the first place, from the implicit confidence they command both at home and abroad, and to their proved ability to repay whatever sums of money their depositors need, whether in periods of political stress or in times of financial strain. In no other country in the world have bank depositors for over a century been so absolutely sure of their ability to withdraw their balances in order to make either foreign or home payments, and in no country have bank depositors had anything like the same knowledge as they have had in this country that bankers' funds were not locked up in advances that could not be called in or had become fixed in any other way. British banks, above all things, have kept their deposits safe and their assets liquid.

"The second cause of the strength of British banking is the absence in this country of those great oscillations in trade that visit other nations, and which are apt suddenly to plunge them from a pinnacle of trade activity into an abyss of trade depression. In no small measure these great oscillations in other countries arise from the action of foreign bankers in lending with the utmost freedom when the sky is clear, but becoming nervous and anxious when conditions change. The policy of British bankers, in using their funds almost entirely to finance current trade and commerce, so that their money, automatically returns to them, preserves them from any feelings of anxiety. Moreover, in periods of active trade, countries other than France borrow substantial sums of money from other countries, more especially from Great Britain, and invariably trade beyond their resources; whereas the British people in periods of active trade live much more within their incomes than at other times, and lend abroad large sums of money at relatively high rates of interest. Consequently, when trade contracts, the mere stoppage of loans abroad causes money to accumulate rapidly in the hands of British bankers, so that when money and capital are scarce abroad they are plentiful in England."

The Russian Market; Its Possibilities and Problems

"THAT Russia and the United States are economic supplements and that there was a noticeable tendency towards the development of reciprocal trade relationship prior to the war in spite of the lack of direct trade facilities" are statements made in the bulletin, "The Russian Market; Its Possibilities and Problems," which has been issued by the American-Russian Chamber of Commerce, 60 Broadway, New York.

"To secure a permanent foothold in the Russian market, it is essential that many American firms should create companies in Russia for the purpose of developing Russian business enterprises, and a knowledge of Russian incorporation law is necessary. Special attention is devoted in this booklet therefore to the methods of establishing incorporations in Russia, and it is pointed out that there has been a remarkable development in the joint stock companies operating in Russian business. In 1913, 240 joint stock companies were organized in Russia with a capital of $205,000,000. Among these companies were twenty-one foreign companies

supported by English, French, Belgian and German capital. These companies had a capital of $18,000,000. It is evident that it is possible to organize foreign companies under Russian incorporation laws at the present time. Furthermore, the Russian business interests realize the necessity of changing Russian incorporation laws, and as the Russian Minister of Commerce, Prince W. N. Schachowskoy, said in his speech in the Imperial Duma in April, 1916: 'We are now reviewing all our incorporation laws. The new law will be based on the principle of registration instead of the now existing principle of special permission. We will as far as possible welcome foreign capital necessary for our development.'

"Representatives of American business can enter the Russian market in two ways: First, by establishing companies in the United States for the purpose of doing business in Russia, and second, by organizing companies in Russia. In each case, it is necessary for the companies to secure special permission governing the incorporation of the company by action of the Imperial Government.

"Few American firms realize the extent to which the Russian banking system has developed. During the last fifty years the commercial joint stock banks in Russia have increased from one to fifty, and their capital has increased from two million to six hundred and thirty-two million dollars, and their deposits from seven hundred million to one billion four hundred and sixty-five million. On January 1, 1915, the deposits in the commercial joint stock banks were 13.2 per cent. greater than in 1914. Branches of the leading commercial joint stock banks are found in every Russian industrial center and can furnish complete information in regard to the credit and standing of business houses.

Copenhagen Banks

THE reports of the banks in Copenhagen, made public July 1, 1916, show a most satisfactory condition; in fact, never before have such favorable statements been given to the public. The combined balances of the banks amount to $468,000,000. The increase in the balances gives a large amount of new capital for business purposes. Since the beginning of the war the deposits of the banks have been increasing. The National Bank, which issues the paper currency of the Kingdom and holds the gold reserve as a redemption fund, reports as having gold coin on hand to the amount of $40,000,000.

The wants of Denmark are no longer credits or money, but merchandise. To stimulate commerce and increase trade the National Bank is temporarily relieved from its obligation to purchase gold bars and foreign coin at the fixed rate per ounce as existing in all the gold-standard nations of the world.

This move is a novelty in financial circles, but it is hoped that it will compel debtor nations to send goods instead of gold to pay for Danish merchandise and bring about normal rates of exchange. The Kingdom is experimenting with this new idea, following in the footsteps of the other Scandinavian countries. It is a return to "barter and sale." The law releasing the National Bank of Denmark from its obligation to purchase gold bars and foreign coin at a fixed price is only temporary and is a war measure.

Mexico and the United States

TO what degree the future hope of Mexico lies with the United States is disclosed in a booklet published by the Mechanics and Metals National Bank of New York City. Described as a land of vast opportunity, whose future has not necessarily been jeopardized by the revolutionary conditions prevailing over the past five years, Mexico has been made the subject of a special study of this bank, which maintains, in an introductory chapter of the new booklet, that despite all its boundless resources and its possibility of development, Mexico's financial and industrial hope lies unequivocally in the support of this country.

Instead of itself seeking an opportunity to exploit the country, as frequently charged, the Mechanics and Metals National Bank indicates that American capital will be sought by Mexico presently, for capital is urgently required to restore crippled industries, rebuilt destroyed railways, and give employment to the people. "Mexico," according to this bank, "can expect little material help from Europe, which for a long time to come will have political and economic problems of its own to solve—problems which would seem to preclude any active participation in the restoration of Mexico."

Discussing the problems that confront the republic lying south of the Rio Grande, the statement is made that these would be deeply discouraging "were it not for the country's riches—riches which require peace and a properly ruled people for their development. Mexico is a land of opportunity, whose possibilities stimulate the imagination at the same time that existing conditions appal. With peace and order restored, and a strong, honorable government in power, the nation should be in a position not only to meet present interest obligations, but also to re-establish its credit and to again command funds from the outside world for its development."

In the Mechanics and Metals National Bank's booklet are chapters covering Mexico's resources, finances, trade, currency system, banking system, transportation facilities, mining, petroleum and manufacturing industries and agriculture.

Banking Year in the United Kingdom

DESPITE the unprecedented war conditions, of which the banks feel the full force, the past year has not been an unprofitable one for the banking community, says the London "Economist." A very heavy strain has been imposed upon them through the great reductions in staffs and the large amount of extra work entailed by Government issues, but they have the satisfaction of having been of the greatest assistance to the Government in maintaining the financial stability of the country. Not only have they taken enormous quantities of treasury bills, but they have also contributed greatly to the success of loans and bond issues by bringing them to the notice of their customers. In the autumn, too, the banks did a great deal toward the adjustment of the American exchange. It is therefore satisfactory to find that in spite of the great shrinkage in security values the revenue of the banks has been well above the normal. Investments have had to be written down more than usual, of course, but in very few instances were dividends reduced.

The Bank of Queensland

THE ordinary general meeting of shareholders of the Royal Bank of Queensland was held at Brisbane April 27. Net profits for the half year were £15,359, which added to the carry-over from the preceding half year gave an available balance of £17,677. After providing for a dividend at the rate of five per cent. and making

other appropriations, £2,287 was carried forward.

Bank of Chosen

THE thirteenth ordinary general meeting of shareholders of the Bank of Chosen (formerly the Bank of Korea) was held at Tokyo February 17. For the last half-year net profits were yen 447,151, which added to the amount brought forward from the preceding half-year gives a total of yen 542,808, apportioned as follows:

	Yen.
Dividend at 6 per cent. per annum	300,000.00
Additional dividend at 1 per cent. per annum	50,000.00
Reserve fund to provide for losses.	50,000.00
Reserve fund to equalize dividend.	9,500.00
Bonus and allowances	31,300.00
Balance carried forward to next account	102,008.49
Total	542,808.49

During the course of the last half-year Dr. M. Ichihari, governor of the bank, died and was succeeded by K. Shoda on December 14.

A sub-branch was opened in Kai-Yuan, Manchuria, on September 20, and a new building was constructed for the branch at Imabashi, Higashiku, Osaka, into which the office was removed December 19.

The Bank of Chosen has its principal office at Seoul, Chosen, and performs the duty of a central bank. Its paid-up capital is yen 10,000,000 and reserve fund yen 378,500. Total assets are yen 70,144,220.

Crisis and Credit in Argentina

THE "Buenos Aires Herald" translates the following editorial in "La Prensa" on the financial condition of the Argentine Republic:

Touching on what one is inclined to term Argentina's Siamese twins, in so far as the economic situation is concerned, "La Prensa" very truthfully opens a leading article by declaring that things are far from bright, and that despite the strength and health of this market and economic prospects in general. Analyzing the situation still further all idea of a general crisis disappears, the actual state of affairs being but the aftermath of a speculative era which has not yet quite worked itself off. There are, for instanc , no complications which are not due to foreign influence, no industrial troubles such as would have been difficult to solve, as Europe and North America well know. Time will prove the best remedy, but "La Prensa" remarks that it ought also to be understood that its action must be energetically seconded if the present anomalous position is not to continue for a longer time than is either convenient or necessary.

To begin with the national savings, which now total fabulous sums, all idle in the treasuries of the banks and earning ridiculously little interest cannot find suitable fields for investment, declares "La Prensa," notwithstanding that the bulk of this money was earned but a few years ago in property speculation carried to extreme lengths. Further, the banks, after fomenting personal credit and discounting with liberality, have now swung round to the other extreme, reducing credit, whether based on industrial or property values, to the minimum. As for the attitude of the public, "La Prensa" finds it explicable, and in accordance with the history of all great crises. It is, however, the mission of the banks to exercise a curative action, inasmuch as their duty is both social and patriotic. All the great banking authorities are agreed that at such times gradual selection is the right policy to pursue; in other words, credit should be given to the most deserving and the general trend of the market followed very closely. To change from unlimited liberality to extreme caution is not rational, even admitting that the banks must exercise care and be guided by their past experience. Admittedly banks are created by their shareholders as a means of earning dividends, but they are reminded by "La Prensa" that the latter cannot be looked for if no business is transacted. In short, more liberal treatment is advisable if trade in general is to be benefited and the national savings used for the general good of the national economy.

Progress of Japanese Bank

THE Sumitomo Bank, Ltd., of Osaka, Japan, has shown a remarkable growth in deposits and loans

during the past twenty-five years. On December 31, 1895, deposits were yen 882,000, and on June 30, 1916, they had increased to yen 102,240,000. During the same period loans increased from yen 2,142,000 to yen 83,147,000. On June 30 last this bank had total assets of yen 116,256,920.01. Its net profit for the half-year ending June 30 was yen 450,329.

This bank buys, sells and receives for collection drafts and telegraphic transfers; issues commercial and travelers' letters of credit available in all important parts of the world, besides doing a general banking business.

The Bank of North Queensland, Ltd.

AT the fifty-sixth half-yearly meeting of the shareholders of the Bank of North Queensland, Ltd., held at Brisbane on July 21, the report for the year ending June 30 was read showing a net profit of £6,520. To this was added a balance from last half-year of £3,661, making a total of £10,182, which was distributed as follows:

Dividend for the half-year at the rate of six per cent per annum	£4,875
Queensland dividend tax	243
Writing down cost of Sydney premises	5,000
Balance forward to next half-year	63

Gold Imports and European Bank Holdings

IN a recent week some $10,000,000 of gold reached New York from England and Canada. Commenting on these imports, the New York "Evening Post" brings out some interesting information regarding the gold movement to this country since the war began and the present gold holdings of the leading European banks. The common estimate, says the "Evening Post," of the gold received from the markets named since this year's movement began in May, is $225,000,000. Seeing that $37,000,000 gold in all was imported in the four preceding months, and that substantial amounts have arrived on the Pacific Coast since then, our gold importation for 1916 to date must exceed $300,000,000. Last year up to the end of August, it was $212,800,000, which was almost exactly twice as great as the largest import for the same eight months in any previous year. We have therefore fixed another "new high record" during the present year to date.

Large as the gold importations up to the close of August were, last year, arrivals during the balance of the year were even greater. In September, $42,000,000 foreign gold was delivered at American ports; in October, $79,600,000; in November, $60,900,000; in December, $45,400,000. Taking the calendar year 1915, as a whole, import of

gold into the United States was $451,-900,000—which was very nearly $300,-000,000 above the largest previous importation in our history, that of 1898.

Whether the coming autumn months will make as remarkable a showing as the same months did in 1915, it is impossible to say. The $250,000,000 British loan has been placed here with the purpose of relieving the pressure on the exchange market. Yet the last autumn's huge gold imports from England and Canada came in the face of the negotiation of the $500,000,000 Anglo-French loan.

With all these immense shipments from Europe to the United States since the beginning of 1915, the central bank in Germany now holds $62,000,000 more gold than at that date, and the Bank of France holds more by nearly $100,000,000. The Dutch Bank has added $150,000,000 to its stock of gold; the Spanish Bank, $89,000,000; while the losses since January 1, 1915, have only been $60,000,000 at the Bank of England and $7,000,000 at the Bank of Russia.

There is only one possible explanation for this extraordinary paradox of increasing gold reserve in Europe while such prodigious exports are being made to the United States. It is that the gold coin formerly used for ordinary payments in the present belligerent states has been driven out of circulation by the Government hoarding and the paper money issues, as completely as our own gold was driven out in the Civil War.

Russia Abstains From Strong Drink

HAVING recently come back from a trip to Russia, Mr. Samuel McRoberts, vice-president of the National City Bank of New York, is in a position to speak from first-hand observation of affairs in that country. Of the benefits following the stoppage of the sale of strong drink in Russia, Mr. McRoberts says:

"In Russia the American traveler is brought closer to the enormous significance of a whole nation abstaining from strong drink as Russia has done in the suppression of the sale of vodka. It is a phenomenon of great underlying strength in the Russian character, somewhere. The sale of vodka was a Government monopoly. The Government simply stopped selling it, at first as a temporary measure during the mobilization, later as an economic measure for the duration of the war. To-day Russia in city and country is unanimous against a return of its public sale. The economic effect of the measure is so pronounced one can say without hesitation that between its influence and that

of the enforced general increase of efficiency in Russian industry everywhere, the war will leave Russia positively and immediately richer and in a stronger economic position than before."

Yokohama Specie Bank

THE Yokohama Specie Bank, at a general meeting held in Yokohama last month, declared a dividend at the rate of twelve per cent. per annum, and added 400,000 yen to the surplus, making a total of 20,800,000 yen in reserve and 1,437,000 yen carried forward to the next half-year.

The Mexican Review

UNDER date of October, 1916, there appears the first number of a new publication—"The Mexican Review"—the purpose of which, according to its prospectus, is "the enlightenment of the American people in respect to the hopes, ambitions, beneficent intentions and accomplishments of the constitutional government of the Republic of Mexico. On the front cover of the first number appears side by side the portraits of Venustiano Carranza and Woodrow Wilson.

"The Mexican Review" is published at Washington, D. C., and George T. Weeks is its editor.

Twenty "Donts" For Bank Customers

JOSEPH A. CARROLL, assistant treasurer of The Grand Rapids, Michigan, Trust Co., is credited with the following list of twenty things which the customer of a bank should not do:

Don't cash or endorse checks for strangers.

Don't give your bank check to a stranger.

Don't leave your check-book where the smooth stranger can steal it.

Don't date checks ahead.

Don't write checks with pencil.

Don't use counter checks.

Don't make checks payable to "Cash," "Bearer" or "Payroll."

Don't spread the figures out when writing a check.

Don't let your check go without making sure that the amount in figures and writing correspond.

Don't leave any blank space in the writing line.

Don't send checks endorsed in blank through the mail.

Don't send out checks with any alterations or erasures.

Don't destroy your spoiled checks—you may need them later.

Don't change the form of your signature on your checks.

Don't overdraw your bank account. That's borrowing money without the consent of the lender.

Don't draw checks against your savings account or your certificates of deposit.

Don't fail to make out your deposit ticket before going to the bank.

Don't fail to list each check separately and with the name of the maker.

Don't fail to meet your obligations with the bank promptly. It boosts your credit.

Don't be afraid to confide in your banker. He's your silent partner.

Banking and Financial Notes

EASTERN STATES

New York City

—Considerable interest has been aroused in New York banking circles by the announcement of four promotions in the official family of the Guaranty Trust Company of New York. After a meeting of the Executive Committee of the company the new appointments were given out as follows:

WM. P. CONWAY
VICE-PRESIDENT GUARANTY TRUST COMPANY OF NEW YORK

William P. Conway, treasurer, has been made a vice-president; N. Devereux Putnam, secretary, has been made treasurer; Fred W. Elsworth, publicity manager, has been made secretary, and R. B. F. Randolph, chief clerk, has been made assistant secretary.

Mr. Conway is one of the youngest vice-presidents of a large New York financial institution, being just thirty-five years old. He entered the bond department of the Guaranty Trust Company of New York in 1911. Two years later he was elected assistant treasurer of the company, and in March, 1916, he was made treasurer.

Mr. Putnam entered the Guaranty Trust Company of New York in 1895 as a messenger. He was later employed in the trust, transfer, registration and loan department. In 1910 he was elected assistant secretary and in March last he was made secretary of the company.

Mr. Ellsworth is one of the best known banking publicity men in the country. He came to the Guaranty six years ago from the First National Bank of Chicago, and under his direction the publicity and new business department has developed from a one-man department to its present large organization.

N. D. PUTNAM

TREASURER GUARANTY TRUST COMPANY OF NEW YORK

Mr. Randolph has worked his way up in the company from his first position as messenger in 1905. A year ago he was made assistant chief clerk, and last March was promoted to chief clerk.

All of these men are extremely pop-

FRED W. ELLSWORTH

SECRETARY GUARANTY TRUST COMPANY OF NEW YORK

ular with their fellow workers, and the news of their deserved promotion was well received.

—Max Markel has been made a vice-president of the Chatham and Phenix National Bank in charge of the branch of the bank at Bowery and Grand streets.

—The Mechanics and Metals National Bank of New York City has published a booklet analyzing the Clayton anti-trust law, as it applies to bank directors throughout the United States. The "interlocking" provisions of this law are to go into effect this month. Recently amended by Congress, inter-

pretation of these provisions has led to a great deal of confusion. The booklet of the Mechanics and Metals National Bank is designed to inform bankers regarding the exact requirements of the law, as it now stands.

—Andrew Mills, Jr., will remain as manager of the bond department of the National City Bank, in charge of the bank's investments in securities. The distributing end of that department has been taken over by the National City Company and hereafter will have quarters on the third floor of the National City Bank building, at 55 Wall street.

R. B. F. RANDOLPH
ASSISTANT SECRETARY GUARANTY TRUST COMPANY OF NEW YORK

PROF. HENRY C. EMERY
SPECIAL RUSSIAN REPRESENTATIVE GUARANTY TRUST COMPANY OF NEW YORK

—Professor Henry C. Emery, former chairman of the United States Tariff Board and for nine years professor of political economy at Yale, sailed September 23 on the St. Paul for Petrograd, where he is to represent the Guaranty Trust Company of New York in some special work, preliminary to an exten-

sion of that institution's interests in Russia.

Believing that the outlook for increased business relations between the United States and Russia is very bright, and in order to be better prepared to help American business men to take advantage of the growing opportunities in the Czar's empire, the Guaranty Trust Company has commissioned Professor Emery to go to Russia to make a thorough study of industrial and financial conditions there. While he will make his headquarters at Petrograd, Professor Emery will visit all sections of the empire in the course of his investigations.

Professor Emery is well known in this country and abroad on account of his writings on the stock exchange and the tariff. His report on "Schedule K," the wool tariff, was highly praised by President Taft.

—Herbert L. Griggs, president of the Bank of New York, National Banking Association, has announced the election of L. F. Kiesewetter as a vice-president of that institution.

L. F. KIESEWETTER
VICE-PRESIDENT THE BANK OF NEW YORK, N. B. A., NEW YORK

Mr. Kiesewetter was formerly vice-president of the Ohio National Bank and a director for over ten years. He has had a wide experience in the Ohio National Bank, having first entered its employ when it opened as a savings institution in 1888, and enjoys a wide acquaintance in the Middle West.

Mr. Kiesewetter is a graduate of the Ohio State University and of Harvard in the class of 1895. His father, Emil Kiesewetter, is president of the Ohio National Bank.

—Two promotions were announced at the Guaranty Trust Co. of New York on September 20. Arthur B. Hatcher, for ten years secretary to Charles H. Sabin, president of the company, has been appointed Assistant to the President, and John S. Johnston has been moved up into the position made vacant by Mr. Hatcher's promotion.

Mr. Hatcher is a native of Rensselaer, New York, and after completing his education there entered the employ of the National Commercial Bank of Albany, July 16, 1906, and was shortly promoted to the position of confidential messenger for Mr. Sabin, who was then vice-president and general manager of that institution. Mr. Hatcher accompanied Mr. Sabin when he came to New York in the spring of 1907 to assume the presidency of the National Copper Bank, and was with him when the National Copper Bank was absorbed in the Mechanics and Metals

A. B. HATCHER
ASSISTANT TO THE PRESIDENT GUARANTY TRUST COMPANY OF NEW YORK

National Bank, and on July 1, 1910, he came with Mr. Sabin to the Guaranty Trust Co. He has a wide acquaintance in the financial district, and the news of his promotion was well received by the many bankers and others who heard it.

—Everett E. Risley, recently appointed assistant cashier of the National Bank of Commerce in New York, has a wide acquaintance among the

E. E. Risley
ASSISTANT CASHIER NATIONAL BANK OF COMMERCE IN NEW YORK

banking fraternity throughout the United States. For several years he has been active in the publicity and development work of this bank, and a regular attendant at many state bank conventions in all parts of the country, especially in the South and West, and at the annual meetings of the A. B. A.

Mr. Risley graduated from Phillips Andover Academy and Williams College, and received an honorary degree of Master of Arts from Colgate University. Prior to his connection with the National Bank of Commerce in New York he practiced law in Utica, N. Y., his native city, and was Deputy Attorney General during the administration of Governor Hughes and legal advised of various financial departments of the State of New York.

—The Bankers Trust Co. has recently issued booklets containing summaries and full text of the new Federal Inheritance Tax Law and Federal Income Tax Law.

—William M. Rosendale, who, for the last several years has been assistant cashier of the Market and Fulton National Bank of New York, has been made a cashier of that institution. He succeeds the late John H. Carr.

Mr. Rosendale has been in the employ of the bank since boyhood. In

Wm. M. Rosendale
CASHIER MARKET AND FULTON NATIONAL BANK OF NEW YORK

1910 he was appointed an assistant cashier, after having had a wide experience in the various departments of the bank.

He has always taken an active interest in the American Institute of Bank-

Samuel O. Dunn

How Shall Railroads Be Regulated?

DO YOU know the intensely interesting story of the conflict between the labor and railway lobbies at our State capitals? Samuel O. Dunn, editor of the *Railway Age Gazette*, in the October Scribner's, shows the fallacy of the idea that railroads begin and end at State lines. In "Ten Years of Railroad Regulation" he tells why disputes over rates, wages, and working conditions can never be settled by forty-nine masters at once. And he gives a solution, without the drawbacks of over-centralization.

Alexander Dana Noyes

New Precedents in Business

JUST as modern artillery has proved the vulnerability of Europe's "invulnerable" fortresses, so modern financing has upset past traditions in war times. You will get a clear idea of just what new economic precedents have been set when you read "After Two Years of War," by Alexander Dana Noyes, in the October issue.

Both of these articles are typical of the way big business matters are constantly being presented in Scribner's. Scribner's goes now to more than 100,000 *American homes like yours. For* $1 *you can get it for the next four months, beginning with this unusually interesting October number.*

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ing and is a charter member of the New York Chapter, having served as its president in 1909-10. He has taken an active part in the chapter's affairs, having served on various committees and the board of governors, and delivered numerous lectures before the classes of the chapter in connection with its educational work.

L PPINCOTT. N. Y.

WILLIAM H. JAQUITH
ASSISTANT CASHIER COAL AND IRON NATIONAL BANK, NEW YORK CITY

—Announcement has been made by the Coal and Iron National Bank of the election of two new assistant cashiers—William H. Jaquith and Wallace A. Gray. Mr. Jaquith previously held the position of paying teller and has been

L PPINCOTT, N. Y.

WALLACE A. GRAY
ASSISTANT CASHIER COAL AND IRON NATIONAL BANK, NEW YORK CITY

with the bank for a period of twelve years. He was formerly connected with the National Bank of North America, and with the Liberty National Bank. Mr. Gray has been with the Coal and Iron since its organization and previously held the position of loan clerk. Like so many successful New York bankers, he received his early training with the Fifth Avenue Bank.

—The Brooklyn Trust Co. has elected Frederick B. Lindsay and Gilbert H. Thirkfield as assistant secretaries to fill vacancies.

—George J. Corbett, formerly of the firm of Joline, Larkin & Rathbone, has

been elected an assistant secretary of the Central Trust Co. of New York.

—E. B. Clare-Avery, formerly assistant cashier of the Merchants-Laclede National Bank of St. Louis, has been elected secretary of the Citizens Commercial Trust Co. of Buffalo, N. Y.

Mr. Clare-Avery came to St. Louis from New York City in 1906 as manager of a branch office of E. Naumberg & Co. In 1908 he became assistant cashier of the Merchants-Laclede National Bank, from which he recently resigned.

E. B. CLARE-AVERY
RECENTLY ELECTED SECRETARY OF THE CITIZENS COMMERCIAL TRUST CO. OF BUFFALO, N. Y.

He was the first secretary of the Association of Reserve City Bankers when that association was organized five years ago. In May, 1915, he was elected president. He was twice chairman of Group Seven of the Missouri Bankers Association and was elected treasurer of

the Missouri Bankers Association at the annual convention in May last.

—Business in the Philadelphia district, says the First National Bank, is being conducted cautiously, with regard for the perils which always accompany a prosperity based upon unprecedented conditions. Industrial managers, instead of disbursing heavy dividends, are putting profits back into plants and doing what they can to fortify their financial position. The working capital of many such concerns stands at a level high enough to provide for the drastic readjustment which must follow the ending of the war. This movement to finance the restoration of peace, while the war is still in progress, reflects the conservatism of a community which, although enjoying unprecedented foreign business, is doing what it can to build up domestic industry and make itself independent of European orders. The whole world is doing the same thing to a greater or less extent.

—A revision of steel-trade sentiment concerning the future of the industry was a specific development of the month just ended, says the People's National Bank of Pittsburgh, in its September trade letter. The present view is that existing activity will continue through next year at least, and that prospective requirements will be large enough and urgent enough to maintain the current high average of prices during that period.

—The Citizens Commercial Trust Co. of Buffalo has opened a branch at Black Rock, at the same time completing negotiations whereby a merger was effected with the Black Rock Bank, which formerly served this locality.

It is expected the business of the new institution will be facilitated materially by the activity of its advisory board, which consists of the directors of the former Black Rock Bank. They have pledged themselves to do everything in their power to interest the business men of the northern section of the city in the establishment.

The section of the city served by the new branch was without a bank until the beginning of this year, when the Black Rock Bank was organized. It began business in temporary quarters on Forest avenue. It prospered from the first, and in eight months accumulated deposits of $1,000,000.

The Black Rock branch forms the third link in the city-wide chain of banks which the Citizens Commercial Trust Co. is establishing. The others are the Citizens Bank and the Security Safety Deposit Co. The trust company is to have as its headquarters most of the southwest corner of the ground floor of Ellicott Square with direct connection with the Security Safety Deposit vaults in the basement of that building. The trust company is to open its new headquarters October 1.

NEW ENGLAND

Boston

—The State Street Trust Co. is planning for the erection of a large building on the corner of State and Washington streets, near its present quarters, to be occupied by the main office of the company.

—The Cosmopolitan Trust Co. is planning to remove its quarters in December from the building now occupied to the spacious ground floor of the Newport building, on Devonshire street.

—The Commonwealth Trust Co. has opened a savings department and will receive deposits of $5 and over, on which interest at the rate or four per cent. will probably be paid.

—The Federal Trust Co., which opened a savings department recently, has now over $850,000 on deposit in that department.

—At a recent meeting of the directors of the Webster and Atlas National, Frank B. Butts, at present auditor of the Old Colony Trust Co., was appointed an assistant cashier.

—The Essex Trust Co. of Lynn, Mass., has announced the opening of an interest department, which will allow interest at the rate of three per cent., compounded monthly, and deposits from $1 upward may be made. A limited checking system will allow the withdrawal of any part of the deposit when needed.

—The Merchants National Bank of Worcester has increased its dividend rate from eight to ten per cent.

—A charter has been granted for the organization of the Manufacturers National Bank at Cambridge, with capital of $200,000 and surplus of $50,000.

—The Chicopee Falls Savings Bank is now located in its handsome new building, erected for its exclusive use by Hoggson Brothers, builders, of New York and Boston.

The new structure, which is an adaptation of the Italian renaissance style of architecture, is constructed of brick, with a granite base. It is trimmed with terra cotta with richly modeled cornice and door splices. The combination of these materials has been designed with careful regard to proper and artistic arrangement as to colors and textures. The steel vault offers security for the bank funds and ample shelving for books, and may be said to be the last word in vault construction, every precaution having been considered to withstand any possible elements of destruction.

The Chicopee Falls Savings Bank was incorporated in 1875, and since then has shown a steady progress along the lines

of sound, conservative banking. The present officers of the bank are: George M. Norton—one of the original incorporators—president; L. J. Gibbs, Fred N. Withrel and A. H. Martin, vice-presidents; Eugene J. O'Neil, clerk; John B. Knight, treasurer; Mabel Hobert Page, assistant treasurer.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—A record has just been established here by the Federal Reserve Bank of the Fifth District, when at the end of the second week in September the total rediscounts for the two weeks amounted to $2,946,531. During the first week in September the amount of securities handled by the parent bank for members reached a total of $1,597,706, and for the second week the amount was $1,348,825.

August is usually a dull business month in this section, but this did not prove the case this year, the month's banking business being far in excess of August of last year. The excellent business conditions obtaining in the South is indicated in the clearings of the banks which are about double what they were a year ago, and the rediscounts of the Reserve Bank were far in excess of any other two consecutive weeks in the history of the Reserve System.

—Predicting a great season of prosperity in the South, Fairfax Harrison, president of the Southern Railway, talked optimistically concerning business conditions when in Richmond recently. Mr. Harrison came to this city to formerly accept the presidency of the Virginia State Fair Association, a position to which he has been unanimously elected to fill the vacancy caused by the death of Henry Fairfax.

Mr. Harrison thinks the South is

fast acquiring a prominent position in the commercial world and is of the opinion that even at the close of the European war great prosperity will continue in the South on account of the large amount of cotton that is grown in that territory. Cotton will be the great money crop of the South, declared Mr. Harrison, and in addition to the agricultural resources large manufacturing plants will certainly be located in the states south of Mason and Dixon line.

—Richmond bankers took a prominent part in the preparation of Richmond's brief in the application for the $11,000,000 Government armor steel plant that is to be established. The paper, which was generally conceded to be one of the strongest placed before the Naval Board, was presented by John Kerr Branch, president of the Merchants National Bank.

The fact that Richmond had been selected as a proper site for one of the Federal Reserve Banks, the excellent accomplishments of this bank proving the wisdom of the officials in their selection, was used as one of the arguments for this city, as the best place to locate the big steel plant. It was also claimed that the water and rail transportation was as good as could be found anywhere, and that Richmond offered special inducements because of the fact that iron ore of a high quality and in abundance could be obtained right in the state.

—Tobacco will be a great money crop in Virginia and North Carolina this year, the prices being higher than ever before. The first sales in Richmond, which was for primings, brought from $4 to $8 per hundred, which was from two to three times as much as the prices during the past several years. Old tobacco dealers here predict record prices on all grades, expressing the opinion that the prices this year will be more than double those of last year on all grades. The fact that the crop may be a little short will make no difference to

the growers, as the prices will be so high that they will get much more money for their crops than ever before.

The embargo on tobacco placed by Germany and Great Britain will have no effect on the sale of the crop in this section of the country, because the demand is greater than ever before and fancy prices are being paid for all classes of the product.

—An increase of seventy-seven per cent. in bank clearings for the first eighteen days in September compared with a like period in September of last year. In a statement issued by the Richmond Clearing-house Association the clearings for September, 1916, amounted to $43,467,598, and for the corresponding dates in 1915 the amount was $24,987,648, showing an increase of $18,479,950 for this year.

Bankers of Richmond are well pleased with the financial situation in this city, and say the same excellent condition obtains throughout the South, which is now sharing with the rest of the country in the general prosperity of the United States.

—Colonel Thomas B. McAdams, vice-president and cashier of the Merchants National Bank, who has been critically ill from an attack of typhoid fever, has recovered sufficiently to return to his office. It will be several weeks before he regains his strength.

Baltimore

—Final steps have been taken completing the merger of the Merchants-Mechanics' National Bank and the First National Bank of Baltimore, two of the most important institutions in that city. The united bank will be known as the Merchants-Mechanics First National Bank of Baltimore, capital and surplus

$4,000,000. It will have aggregate resources of $35,000,000, and deposits of from $28,000,000 to $30,000,000, making it one of the largest national banks of the South, and ranking with the most important banks of the country. Pending the completion of alterations in the Merchants-Mechanics Bank building, which will house the new bank, the business of the First National will be conducted at its present quarters. The president of the new bank is Douglas H. Thomas, formerly president of the Merchants-Mechanics National Bank; Colonel H. B. Wilcox, president of the First National Bank, has become vice-president of the consolidated bank; John B. Ramsay will be the chairman of the board of the new bank, the membership of which has been increased to twenty-two by the addition of the following directors of the First National Bank; H. B. Wilcox, Blanchard Randall, Leonard L. Greif, E. Asbury Davis, William C. Rouse and Charles O. Scull. The other directors, all of whom had served on the board of the Merchants-Mechanics National Bank, are: Alexander Brown, George C. Jenkins, Douglas H. Thomas, John B. Ramsay, D. D. Mallory, Miles White, Jr., Lawrason Riggs, E. B. Hunting, John S. Gittings, George K. McGaw, James L. Sellman, Morris Whitridge, Summerfield Baldwin, Jr., Samuel C. Rowland, James C. Fenhagen and William Wallace Lanahan.

—At a meeting of the shareholders of the New Farley National Bank of Montgomery, Ala., held on August 10, it was determined to change the name of this institution to the Capital National Bank. This change of title has been approved by the Comptroller of the Currency, and hereafter the bank will be known as the Capital National Bank of Montgomery. The officers and directors of the Capital National are the same, there being no other changes.

—The Hamilton National Bank of Chattanooga, Tenn., capital $1,000,000, has absorbed the Citizens National Bank, capital $300,000. This involves the taking over the Citizens' National capital stock at $140 per share. The new merger makes the Hamilton National the second largest bank in the state.

—The Security National Bank of Dallas, Tex., of which D. E. Waggoner is president, makes a very creditable showing in its Comptroller's statement of September 12. At this time deposits were $9,216,228.83, and total resources were $14,293,332.19. The continuous growth of the resources of this bank is good evidence of the excellence of its service to clients and depositors.

WESTERN STATES

Chicago

—Nelson Swift Morris has been elected a director of the First National Bank of Chicago, and a member of the board of directors and advisory committee of the First Trust and Savings Bank. He succeeds Marvin Hughitt, who has resigned from both boards. Mr. Morris is the third generation of the family on the board of the First National. His grandfather, Nelson Morris, the founder of the packing firm bearing the name, was elected a director in 1872, and his father, Edward Morris, was on the board from 1907 till his death in 1913.

—On October 1 the Harris Trust and Savings Bank of Chicago distributed $500,000 of additional capital stock at par to stockholders of record August 28.

—The Continental and Commercial National Bank of Chicago has compiled its annual review of "Crop Reports and General Business Conditions for 1916." In the preface to this pamphlet President George M. Reynolds says:

"In compiling this report we have endeavored to follow the plan adopted by us in previous years, by giving, as nearly as possible, a digest of the reports and information received from several thousand manufacturers, jobbers, and bankers located in different parts of the country. Because of the intelligent discussion of the great problems before the public at the present time, many of the letters written us are extremely interesting, and show that American business men as a rule are alert and quickly apprehensive of changing conditions."

—The West is still a good deal concerned about the crop outlook, says the September letter of the National City Bank of Chicago. The situation in the Dakotas and Minnesota is rather perplexing and the threshing returns are likely to show considerable reduction in estimated yields. Blight, rust and storms have done a good deal of injury throughout that territory. Corn has been in-

jured more or less seriously in parts of Missouri, Oklahoma and Kansas. Some damage has been done also in southern Nebraska and in Iowa. Rain is needed in a considerable portion of the belt where heat and drought have wrought havoc. The hay crop is excellent. Pretty good premiums are being paid for cash wheat. The rise in wheat prices, as a consequence of the government crop report and the damage done in the northwest, has excited interesting discussion as to how the profits of the farming communities are likely to compare with the returns of a year ago. The belief prevails that the farmers as a whole will end the year with comfortable net returns, owing to their ability to get prices for the wheat carried over from last year.

—The stockholders of the Chicago Title and Trust Co. of Chicago have voted to increase the capital of the institution from $5,600,000 to $7,000,000. Each stockholder of record Sept. 1 was offered the new stock in the proportion of one share of new stock to each four shares of stock held. The stockholders were given until September 16 to subscribe.

—Roy H. Griffin, vice-president of the People's Trust and Savings Bank of Chicago, Ill., who has been elected vice-president of the Citizens Commercial Trust Co. of Buffalo, is the father of the Christmas Savings Club idea in Chicago. He is also the originator of many other similar plans for the encouragement of thrift.

—William Ewing, formerly assistant sales manager of the bond department of the Harris Trust and Savings Bank of Chicago, has become associated with J. P. Morgan & Co. as assistant to the manager of the bond department. Mr. Ewing will give special attention to the western business of the firm.

St. Louis

—"Colliers" for September 9 takes occasion to compliment St. Louis on its excellent civic spirit. The infant mortality in St. Louis, says an editorial, is the lowest of any large city in the United States; it is noticeably lower in the summer months, and this notwithstanding that St. Louis is not considered by most of us as a summer resort. For one thing, St. Louis has solved the milk problem. The St. Louis Pure Milk Commission has been in existence twelve years. The last ten years have seen the infant death rate per thousand drop from 134.5 to 82.1. This condition didn't just happen. St. Louis, like other cities, used to approach the beginning of hot weather with a good deal of dread and anxiety, in consequence of the train of gastro-intestinal diseases which followed. The change has been gratifying, but it meant work. Highly trained specialists quietly caught the 4:30-in-the-morning trains out to the dairy farms to watch the early milking, and to inspect the stables, the cows, and the farm hands. From an attitude of derision on the part of dairymen, there came one of eager co-operation and enthusiasm. Like the farmers in Wisconsin University, they first scoffed at the new-fangled ideas, then got mad, and finally wound up by taking the course themselves. Then St. Louis began to count her gains in babies saved.

But St. Louis was not content with its self-satisfaction in the line of baby saving. Public sentiment got busy with the City Fathers, and that body, once skeptical, seeing the infant death rate steadily drop under intelligent handling of the milk situation, became eager to carry the work further and to conserve the health and energize the lives of its older folk. Dwight Davis, who was formerly national tennis champion, was appointed park commissioner. St. Louis now has hundreds of municipal baseball teams; it is constantly laying out new municipal golf courses. It provides a number

of well-kept free swimming pools. It also provides 150 open-air concerts during the summer months. The park commissioner moves his dancing pavilions on wagons from park to park and from open space to open space. These dancing platforms accommodate 300 couples at a time. Each is accompanied by a good orchestra. Three such platforms are in commission every summer night around every park and playgrounds in the city. Aged couples are seen dancing that haven't danced since they were on the Rhine or the Liffey. The chaperonage question is solved; the fathers and mothers are on the ground with their children—the dancing pavilions are brought to their doors and become neighborhood social centers, and all is free. These things, without any flourish of trumpets, St. Louis has been doing for years. And the municipal spirit of joy and of health and social betterment is still moving on, flushed with the success and the satisfaction of the work already done.

Detroit

—Julius C. Peter, formerly assistant manager of the bond department, has been made assistant to the president of the Detroit Trust Co. of Detroit. Mr. Peters, it is said, will devote a large portion of his time to the trust company's publicity problems and to the development of the new business.

—The National Bank of Commerce of Detroit will celebrate its tenth anniversary by moving into its stately new building on June 1, 1917. The new home of the bank is located on Fort street west, opposite the Penobscot building.

The new building will be three stories high, 130 feet deep, and 50 feet wide. No expense has been spared in the plans to make it one of the best equipped and artistically appointed bank buildings in Detroit. The front will be of Indiana Bedford limestone, and will be set off by

NEW HOME OF THE NATIONAL BANK OF COMMERCE, DETROIT, MICH.

monolith pillars, 40 feet in height, set in a double row, one above the other.

The main floor of the building will be devoted to the departments of the bank open to the public. On the second floor, a large directors' room will occupy the front space, and back of this will be the foreign and correspondence departments. The third floor will be devoted to bookkeeping and accounting.

—Edward O. Rice, who has recently been made a vice-president of the Highland Park State Bank of Detroit, and of the Highland Park State Bank of Highland Park, was for three years a vice-president of the First National Bank of St. Paul. Prior to going to St. Paul Mr. Rice was in charge of the credit department of the Commercial National Bank of Chicago.

During his connection with the First National of St. Paul the deposits of that institution increased from $18,000,000 to $58,000,000, or an average of more than $11,000,000 a year. Speaking of this growth, Mr. Rice is quoted as saying: "While the growth of the St. Paul bank has been most wonderful, I believe that the Highland Park banks will enjoy greater growth in the next few years than any other two banks in the United States."

Mr. Rice has a considerable acquaint-

EDWARD O. RICE
RECENTLY ELECTED VICE-PRESIDENT OF THE HIGHLAND PARK STATE BANK OF DETROIT

anceship in Detroit and made frequent visits here some years ago when he was manager of the Chicago office of Holbrook, Corey & Co., commercial paper brokers.

Twin Cities

—Mark Skinner, vice-president of the Commercial National Bank of Great Falls, Mont., has been elected vice-president of the First National Bank of St. Paul. He succeeds E. O. Rice, who has gone to Detroit, Mich. M. R.

Brown, formerly secretary to the late James J. Hill, has been made assistant to the chairman of the board of directors.

—The State bankers of St. Paul and Minneapolis have formed the Twin City State Bankers Association. Kelsey Chase, president of the People's State Bank of St. Paul, and former State Superintendent of Banking, has been elected president. William F. Olson, of the Mercantile State Bank, of Minneapolis, has been elected secretary. A committee will be named by the president to investigate the effect of clearing through the Federal Reserve Bank.

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—At a special meeting of the directors of the Central Savings and Trust Co., of Akron, Ohio., E. R. Held, former treasurer, was elected to the presidency to fill the vacancy caused by the death of Will Cristy. Other officers elected at the same meeting were: George Bunn, heretofore secretary, as vice-president, and W. J. Rouf, formerly assistant treasurer, as treasurer. P. M. Held, who was assistant secretary, has been chosen secretary. Two new members of the board are P. M. Held and W. J. Rouf.

—Speaking at a hearing in Des Moines before the Federal Board on the merits of the new rural credits scheme, John Cavanaugh, of the Des Moines National Bank, made the following statement, according to a press dispatch:

"In my opinion, the Iowa farmer will turn to the banks you gentlemen establish for the funds he desires, provided you make the interest rate lower than the rates now existing. Iowa farmers have been able to secure the bulk of their money at 5½ per cent. If you enable them to borrow money at five per cent. you will reduce their annual interest debt by $2,000,000.

"It is my conviction that the new law will reduce interest rates to the farmer and enable him to borrow money—even here in prosperous Iowa—upon more favorable terms than he has been able to secure it before. This being so, the law will be welcomed by Iowa farmers and will enhance our agricultural prosperity.

"Iowa has a larger percentage of its farms mortgaged than any other state in the Union. The 1910 census showed Iowa farms to be mortgaged to the extent of $204,000,000, or $60,000,000 more than the aggregate debt of any other state. We bankers have been loaning heavily on Iowa farms."

—Frank Warner, of Waterloo, Iowa, has been elected secretary of the Iowa Bankers Association, to succeed Percy W. Hall, resigned. Mr. Warner has been connected with the Leavitt & Johnson banking interests of Waterloo, Iowa. He assumed his new duties on September 1.

—Ray Nyemaster, cashier of the Muscatine State Bank of Muscatine, Iowa, has been elected vice-president of the German Savings Bank of Davenport, Iowa.

—W. E. Davis, State Auditor of Kansas, has been elected cashier of the State Exchange Bank of Hutchinson, Kan., to succeed F. C. Kaths, who has

been elected president of the Kansas Reserve State Bank of Topeka, Kan.

—R. C. Stuart has resigned as Assistant State Bank Commissioner of Oklahoma, and Secretary of the State Banking Board, to become cashier of the First State Bank of Oklahoma City, Okla.

—D. A. Barton, secretary of the Home Savings and Trust Co., of Denver, has resigned from this office. John Cronin will succeed Mr. Barton in the bank and William Bishop has been elected treasurer.

—Mark Skinner has resigned as vice-president and manager of the Commercail National Bank of Great Falls, Mont., to accept a vice-presidency in the First National Bank of St. Paul, Minn. Mr. Skinner had been active in Great Falls banking affairs for the past twenty years.

PACIFIC STATES

San Diego

—C. W. Wilson, for nine years assistant cashier of the Security Trust and Savings Bank of Los Angeles, has been appointed cashier of the San Diego Savings Bank of San Diego. The other officers will remain unchanged: M. T. Gilmore, president; J. W. Sefton, Jr., vice-president and manager; C. L. Reed, chief assistant to Mr. Wilson; D. N. Millan, assistant cashier.

Mr. Wilson has been in the banking business in Los Angeles since 1906, having been previously connected with the Santa Fe Railway for eleven years. His first banking experience was with the Southern California Savings Bank. In 1907 this institution was merged with the Security Trust and Savings Bank and Mr. Wilson became assistant cashier.

That he is well qualified to fill the position of cashier of the San Diego

C. W. Wilson
Cashier San Diego Savings Bank,
San Diego, Cal.

Savings Bank is evidenced from the fact that the bank in which he has been an important factor for nine years is the largest in Southern California, and the third largest in the state from the standpoint of deposits, only two San Francisco banks exceeding it.

—The business of the Homestead Bank, one of Berkeley's oldest institutions, has been purchased by the First National Bank, and the Berkeley Bank of Savings and Trust Co. The merger became effective September 11, 1916.

The Homestead Bank has deposits approximating $450,000, and has always been regarded as a strong and conservative institution. Frank H. Thatcher, cashier, and Henry F. Dryden and George H. Hobel, assistant cashiers, will become associated with the purchasing banks. After the purchase of the Homestead Bank, the combined resources of the First National Bank,

and the Berkeley Bank of Savings and Trust Co., will exceed $11,000,000.

These institutions were established in Berkeley twenty-five years ago, when the city had a population of only 5,000. They have grown and developed with Berkeley, until they are now one of the largest and strongest banking institutions in the state. Their management has remained the same for many years.

The officers are: A. W. Naylor, president; F. L. Naylor and W. E. Woolsey, vice-presidents; W. F. Morrish, cashier of the First National Bank; W. S. Wood, cashier of the Berkeley Bank of Savings and Trust Co.

—Because San Francisco has not been directly engaged in the war munitions game, says the financial letter of the American National Bank, and no fabulous fortunes have been made here as a result of the war, some people seem to hold the opinion that prosperity has given us the cold shoulder. A glance at the following statistics should correct this impression, as such progress as here shown would not be possible unless we were enjoying a healthy and continuous expansion:

BANK CLEARINGS	
First seven months of—	
1914	$1,429,301,325
1915	1,477,495,568
1916	1,821,208,079
REAL ESTATE SALES	
First seven months of—	
1914	$16,818,010
1915	16,734,712
1916	25,506,758
POSTAL RECEIPTS	
First six months of—	
1914	$1,573,006
1915	1,663,992
1916	1,730,383
EXPORTS	
First seven months of—	
1914	$28,765,646
1915	46,714,711
1916	60,987,663
IMPORTS	
First seven months of—	
1914	$40,118,545
1915	50,391,209
1916	80,334,392

—W. F. Morrish, formerly assistant cashier of the First National Bank of Berkeley, Cal., has been appointed cashier of this institution to succeed F. C. Mortimer.

Mr. Morrish first entered the employ of the First National in 1904 when he started his banking career as a messenger. Previous to this Mr. Morrish was connected with the Southern Pacific Co., having studied for a time at the University of California. In 1911 he was elected an assistant cashier of the First National.

W. F. MORRISH
CASHIER FIRST NATIONAL BANK, BERKELEY, CAL.

Mr. Morrish was a charter member of the Oakland Chapter of the American Institute of Banking and has served three years as a member of its board of governors. At this time he was instrumental in making arrangements with the Extension Division of the University of California to carry on the educational work of the chapter.

Mr. Morrish has always been a strong believer in educational work among bank employees and has himself taken a two-year course in banking and commercial law, and holds a diploma from the American Bankers Association.

He has been very active in the work of the A. I. B., and has served as a delegate to several of its conventions. Mr. Morrish is also interested in all matters pertaining to civic betterment, and is a member of the Chamber of Commerce and several other clubs and organizations.

—The Anglo and London-Paris National Bank publishes the following tables showing the condition of the California banks on June 30, 1916, and the comparative increase over similar figures on June 23, 1915, one year previous:

San Francisco:	Deposits	Percent of Increase.	Loans	Percent of Increase	Resources	Percent of Increase
State Commercial..	$63,717,179.19	19.9	$34,441,669.34	0.6	$78,915,198.39	16.9
National	196,087,411.62	24.5	130,538,385.75	15.6	281,444,060.98	19.0
All California:						
State Commercial..	$171,023,791.19	12.0	$113,659,716.16	0.3	$221,721,232.65	11.0
National	429,423,000.00	20.06	301,585,000.00	8.58	590,303,000.00	15.62
Savings Banks:						
San Francisco.....	$232,440,284.64	12.2	$148,260,369.54	4+	$250,828,408.67	10.5
All California.....	537,661,117.39	14.7	378,711,181.72	6.7	587,540,935.63	12.3

Portland

—Henry J. Failing of Twin Falls, Idaho, has been elected vice-president of the Lumbermen's National Bank of Portland, to succeed E. G. Crawford, who has been president of the Lumbermen's National since the death of George W. Bates on March 22. The Lumbermen's National Bank was organized in 1905. It has a capital of $1,000,000. Its officers are E. G. Crawford, president; Henry J. Failing, vice-president; A. L. Tucker, cashier; Graham Dukehart, C. M. Drylund and E. C. Sammons, assistant cashiers.

—The United States Trust Co. of Portland is now settled in its new quarters in the building site which for past years has been occupied by the Mercantile Trust Co.

Spokane

—Negotiations have been completed whereby the Union Trust and Savings Bank of Spokane will move to the first floor of the Old National building, and will have joint offices with the Old National Bank. The entire floor will be occupied by the two banks after January 1, and considerable alterations will be made in the present working departments of the Old National Bank to accommodate the trust company.

The Old National and the Union Trust will occupy a floor space 100 ft. by 142 ft., not including the basement, which is believed to be the largest area occupied by any bank in this part of the country.

The two institutions will retain their separate identities as individual corporations, but will be operated under one board of directors. Assets of the Old National now are approximately $16,000,000, while those of the Union Trust and Savings are $9,000,000, giving total resources of the two corporations of $25,000,000.

The officers of the Union Trust and Savings Bank are: D. W. Twohy, president, also president of the Old National Bank; W. J. C. Wakefield and W. J. Kommers, vice-presidents; Jas. C. Cunningham, vice-president and manager; Frank C. Paine, secretary; Arthur S. Blum, cashier, and H. E. Fraser, assistant secretary.

—The old quarters of the Union Trust and Savings Bank in the Marble Bank building have been leased to the Fidelity National Bank for a period of five years, with an option to purchase for a price reported at $240,000. T. H. Brewer, president of the Fidelity National Bank, has stated that his institution intends to purchase the Marble Bank building for its permanent home. The lease is on the basis of six per cent. per annum of the price stipulated in the option.

The Marble Bank building is intimately associated with the financial growth of the city, and has historical associations in addition to its distinctive architecture and superb equipment, all of which is included in the lease and option. It was the home of the Old National Bank for seventen years, from 1894 until 1911, when that bank moved into its present skyscraper structure at Stevens street and Riverside avenue. On January 1, 1911, the Union Trust moved from the basement to the upper floor, which it still occupies, while the basement housed the trustee company, and later the Irving Whitehouse Co.

—At the State College of Washington, Pullman, on October 6-7 will be held a unique convention of farmers and bankers, the second of its kind in the United States. The excursion will include one thousand farmers and bankers. All traveling expenses of the farmers are to be paid by the bankers, while the people of Pullman and the State College will furnish entertainment. The Pullman Chamber of Commerce will dine the visitors and the state college will provide luncheon and a vaudeville program.

The idea of the convention originated with the Committee on agricultural and vocational education of the Washington Bankers Association. The bankers expect that 800 farmers will accept their hospitality.

Any farmer in the state who would like to take the trip at some other man's expense can make arrangements through his banker.

—At the September 12 call of the Comptroller of the Currency, bank deposits in Spokane were $39,301,057, or $8,400,000 in excess of those at the corresponding call for 1915. Deposits on September 12 this year were more than $1,400,000 in excess of those at the call June 30, 1916.

Totals a year ago, at present and at a call preceding the last follow: September 12, 1916, $39,301,057; June 30, 1916, $37,943,242; September 2, 1915, $30,900,899.

Loans and discounts were $1,200,000

less on September 12 than for the call of June 30, but were $3,500,000 greater than a year ago, as the following figures will show:

September 12, 1916, $23,163,016; June 30, 1916, $24,383,951; September 2, 1915, $19,569,998.

Bankers attribute the record increase of deposits to the sale of crops and ore. The additional deposits are expected to result in increased development. W. D. Vincent, vice-president of the Old National Bank; T. H. Brewer, president of the Fidelity, and Conner Malott, vice-president of The Spokane and Eastern Trust Co., all look for an improvement in business conditions.

Salt Lake City

—The Tracy Loan and Trust Co. of Salt Lake City has moved into its handsome new home.

The new structure, which is occupied exclusively by the Tracy Loan and Trust Co., is of marble and white stone construction, 33 feet wide by 155 feet long and 30 feet high.

The exterior style of the building is a modified classic, with two great pillars of dark imperial Vermont granite rising in full height of the structure on either side of the entrance. The front is of bronze in unusual design.

On the right, as one enters from the street, is Mr. Tracy's private office. The offices of the various officials and other employees of the company occupy a large portion of the main floor. To the left of the main entrance is an office designed exclusively for the use of women patrons.

A feature in the construction and equipment of the counters over which the public will transact its business with the officials and employees of the company is the entire absence of barred gates.

The Tracy Loan and Trust Co.'s operations heretofore have embraced loan, insurance, abstract and trust departments, and with its occupancy of the new home the company announces two new departments, a savings department and safety deposit vaults.

The basement of the building is completely finished. In front is located the directors' room, while the greater portion of the basement room will be used for other purposes. The ladies' room is located at the front of the basement, where appointments are complete in every detail.

—The directors of Walker Brothers Bank of Salt Lake City have elected Louis H. Farnsworth, who has been senior vice-president, president of the bank in succession to the late M. H. Walker. Edward O. Howard, who has been vice-president, was elected to the senior vice-presidency in succession to Mr. Farnsworth, and John Henry Walker, who has been assistant cashier, was elected a vice-president.

Vacancies in the directorate were filled by the election of Morris K. Parsons and Malcolm A. Keyser of Salt

Lake and Fred C. Jensen of Mount Pleasant.

The newly elected president has been connected with the bank for forty-six years, having entered the service of Walker Brothers in 1870.

—The First National Bank of Pullman, Wash., expects next month to be located in its new banking quarters at the corner of Main and Alders streets. The building will be two stories high, built of white stucco and trimmed with terra cotta. The floor will be of tile with fixtures of marble with mahogany trim. The bank will be equipped with every modern device for the convenience of the bank's patrons, including safety deposit vaults and a well-appointed ladies' room.

The Farmers State Bank and the First National Bank were consolidated in April, 1915. Present deposits of the merged institution are higher than the deposits of the two banks combined at the time of the consolidation, totaling at this time over a half-million. The bank has a capital of $75,000, and in its June 30 statement showed deposits of $430,470.43, and resources of $631,376.06. This statement does not do the bank justice, however, as at the present time deposits are around the $600,000 mark and the bank has no borrowed money and a larger reserve.

—The Security Trust and Savings Bank of Billings, Mont., paid-up capital $100,000, has been organized by a group of Montana financiers and stockmen and will open for business in the new future. The president of the bank is W. E. Waldron, formerly cashier of the Yellowstone National Bank of Billings, and president of the southern group of the Montana Bankers Association. Harry F. Scott is vice-president.

CANADIAN

—Heretofore, says a recent Canadian dispatch, bankers have used much pressure to get an early return of loans on Canada's western farmers, and this has caused an early marketing of grain, but this year an agreement has been reached between western bank managers and heads of large grain organizations, whereby those farmers whose standing and credit are good, will have their promissory notes renewed from time to time to enable them to spread their shipments of grain over a longer period than in former years. This will take them from the mercy of the traders who bought at much lower prices during the rush of grain, which was forced out by bankers demanding the return of the farmers' borrowings in the early part of the harvesting season.

The new arrangement with the banks will be a great help to those farmers who have had to meet not only "grain money," but notes on farm machinery, which is for the most part secured on

credit by all grain farmers. It will give them a better chance to meet each creditor at the proper time and the grain farmer will be in a better position to pay his debts owing to his ability to hold back his grain and sell when the market is at a higher level than at harvest time, when the rush to market is on.

The banks will not make any longer term notes than in former years to farmers, nor will their security be less than formerly, when it was taken on crop and farm buildings, leaving the harvesting machinery companies to lay their credit claims on the machinery sold on the instalment plan.

To co-operative credit associations, formed by farmers of good and unquestionable standing, money will be loaned by the Canadian banks at a slightly reduced rate, and this money will in turn be loaned to individual members at the same rate as secured from the banks.

In previous years managers of branch banks throughout the Canadian Northwest have utilized their influential positions as acting agents of insurance and mortgage companies, grain commission firms, etc. But beginning this year the head officers of these institutions have given managers to understand that with the exception of extreme cases these conditions would not longer be allowed to exist.

Having accomplished a better method of financing western grain crops the farmers will now endeavor to have the Canadian bank act amended so that the security for loans on live stock can be taken in the form of a live stock lien in accordance with statutory provisions, so that it may be drawn up by the banker and the farmer without any cost. This will remove the long-felt stigma of chattel mortgage in the live stock industry and help lift Western Canada out of another unfavorable rut, which is an Eastern way of financing, and has never been successful in the West, and has kept that section back for a number of years, in fact, since the great Western boom started.

Owing to the improved financial conditions and the liquid condition of the banks, there is little fear but that further and adequate finances can be furnished by the Canadian banks to do all the necessary financing of crops which is necessary. Sir Thomas White, Minister of Finance, has taken all precautionary measures against any shortage of funds and is putting into effect the policy which has in former years been carried out successfully. This policy calls for a representative of the Receiver General's office being stationed at Winnipeg, at the Government office there, where the various bank's paper money is taken in and discounted by the Federal Government, which process does away with any delay in the way of crop financing by branch banks which have only their own paper on hand and lack Federal paper which guarantees absolute security for its own issue.

—At a recent meeting of the directors of the Royal Bank of Canada Mortimer B. Davis, president of the Imperial Tobacco Co. of Canada, Ltd., and G. H. Duggan, vice-president and general manager of the Dominion Bridge Co., were elected directors of the bank to succeed T. J. Drummond of Montreal and Wiley Smith of Halifax, both deceased. Mr. Davis was formerly a director of the Union Bank, but resigned from that post in 1910. Mr. Duggan has been prominent as an engineer and as an industrial organizer. He was recently elected to the directorate of the Montreal Trust Co. and is also a director of many other concerns in Canada.

JOHN M. MILLER, JR.
PRESIDENT FIRST NATIONAL BANK, RICHMOND, VA.

THE

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The Correct Principle Regarding Bank Reserves

IN these days, when there is prevalent a great deal of misconception in regard to the true nature of bank reserves, when the law permits debts from another bank to constitute all the "reserves" of other banks, and when it is seriously proposed to count Federal Reserve notes also as part of such reserves, it becomes a matter of great importance to have a clear and correct definition of true banking reserve. This definition was supplied in the annual address of President Lynch at the recent convention of the American Bankers Association in Kansas City. He said:

"Gold is the only true reserve, for it pays debts in any civilized country and under any conditions. Under ordinary circumstances, balances carried with corresponding banks form a convenient method of paying our debts to depositors, so such balances have been called reserves though they cannot properly be so designated. Balances with the Federal Reserve banks are now legally entitled to be called reserves and yet they fall short in the final test—availability in all countries and at all times."

These are brave and true words, most aptly spoken at a time when the maggot of inflation seems to have wormed its way into the brains of some of the country's biggest bankers. Mr. Lynch comes from a state where gold is the standard, and where the banks are prohibited by law from counting the Federal Reserve notes as part of their reserves.

Banks ought to be left free to keep their funds other than reserves wherever most convenient. The place for their reserves is in their own vaults.

MR. WARBURG'S PROPOSALS AT KANSAS CITY

IN ancient times the wise men all came out of the East—a superstition which persists to the present day. This explains the open-mouthed admiration with which rural bankers attending the recent convention at Kansas City listened to the address of Mr. Warburg, Vice-Governor of the Federal Reserve Board. If a banker from Oklahoma or Kansas had promulgated any such wild inflationism as that put forth by Mr. Warburg, he would have been laughed at as a fiatist.

Mr. Warburg starts out by declaring: "Reserves of central banks and reserves of the general stock banks are two entirely different things." For the purpose of establishing his premise, he classifies the Federal Reserve Banks as a central bank and the national and state banks and trust companies as stock banks. He also classifies the reserves of the central or Federal Reserve Banks as "gold" reserves, and describes the reserves of the other banks merely as banking reserves. He says: "In countries where the notes of a central bank are generally accepted in settlement of debts by business men and banks, the banking reserves of the stock banks may safely consist of the central bank currency or of a balance kept with the central bank, convertible into such currency. * * * It is simply a question of having a reserve of such credit currency, or of power to produce such credit balances, as will provide an acceptable means of satisfying depositors. * * * The duty to keep its own deposits and note obligations sufficiently protected by a proper proportion of metallic cover rests with the central bank, and its reserves, therefore, must consist exclusively of the metal in which its obligations are payable."

From these premises Mr. Warburg argues in favor of the stock banks maintaining such banking reserves as they require, giving up the larger part of their gold to the Federal Reserve Banks.

His position seems to rest upon the belief that the Federal Reserve Banks are the conservators of domestic and foreign banking, and that what he calls the stock banks are subsidiaries—or about on the plane of branches of the large European banks. This assumption is not correct. Despite the broad powers conferred

upon them by legislation, the Federal Reserve Banks are but pygmies alongside the national and state banks and trust companies. If it is desirable that the banks conducting the chief credit operations of the country should keep in hand a safe proportion of gold as compared with their obligations—and that this is desirable all banking authorities concede—then the stock banks, as Mr. Warburg calls them, can not safely do business entirely on credit balances with the Federal Reserve Bank, or with the latter's notes. For that process clearly spells inflation, since it means that the banks of the country are multiplying their power of expanding loans almost indefinitely. Balances with the central bank may be built up in other ways than by a deposit of gold and by allowing collection items to accumulate there. They may consist of the proceeds of rediscounts or of direct borrowings. If the actual holding of gold in the vaults of a bank permits of the creation of credits in a fourfold ratio, what limit shall there be when the credit basis itself may expand practically to an indefinite extent?

Mr. Warburg seems to rest under the common delusion that actual money in a bank's vaults is "locked up." Referring to the Federal Reserve Act, he says: "The law continued the anomaly of requiring member banks to lock up in their vaults hundreds of millions of dollars." Now, what does this mean except that the money in the vaults of the banks is out of use to some extent? But that view is not correct. Every dollar of reserves on hand (and Mr. Warburg is of course dealing with reserves) is doing far more than double duty—four, five and six times and over in most cases. What would Mr. Warburg have? Still more and more expansion? Does he wish to take this gold already supporting a credit structure of several times the base and pile still greater burdens upon it? How high does he think the pyramid may be safely built?

But Mr. Warburg's greatest fallacy is yet to be stated. Again in referring to the Federal Reserve Act he says:

"It further created the anomalous situation that while a balance with a Federal Reserve Bank could be considered as reserve, the Federal Reserve Note could not be so counted, despite the fact that it is a prior lien against the assets of the bank and is the obligation of the United States, while the balance is not."

Mr. Warburg is not arguing against counting the balances with the Federal Reserve Banks as reserves, but in favor of the use of

the notes of Federal Reserve Banks in that capacity. These notes may be secured by a gold reserve of forty per cent. (less than that on a sliding scale of taxation). That is, Mr. Warburg frankly joins the inflationists by saying, in effect: "A forty cent dollar is good enough reserve for a bank to keep, and on the strength of that to multiply its credits over and over again, world without end." He also seems to labor under the belief that because the notes are "Government obligations" they have some superior qualities as reserves. There is a frank acknowledgment of the fiatist principle which seems the basis of his whole argument.

Every banking authority of weight in London has for years urged upon the British banks precisely the opposite of the course which Mr. Warburg advocates. They have incessantly pointed out the desirability of a larger proportion of the country's gold reserves being held in the joint-stock banks, and even the Imperial Bank of Germany has urged a like policy upon the banks of that country.

What might happen should every member of the Federal Reserve System act as the recent amendment of the law permits—the keeping of all their reserves with the Federal Reserve Banks? Suppose it became known to the people that every national bank did not have a dollar of money on hand, but had every cent loaned out to the Federal Reserve Banks—a course which the banks are not foolish enough to follow, but one which the law now permits, and which Mr. Warburg evidently approves—what might happen? Are we not proceeding to sap the very foundation of credit, which is confidence? And when you have done that, what limits may be set to the panic that will certainly ensue?

Mr. Warburg's whole argument on the matter of reserves is not only unsound but betrays a lack of knowledge of his subject. He attempts to set up a distinction between the reserves of the Federal Reserve Banks and those of the ordinary discount banks. The distinction is one without a difference. The Federal Reserve Banks are insignificant in comparison with the other banks. It is upon the latter that the burden of home and foreign banking transactions chiefly falls, and the obligation devolving upon them to keep a proper metallic reserve is not less but greater than that which devolves upon the inferior Federal Reserve Banks. To say that the thousands of commercial banks of the country, with their enormous

credit commitments, may carry on their business on the basis of loans made to the Federal Reserve Banks is so preposterous a statement that it would deserve only contemptuous silence if coming from one not clothed with official banking authority.

Mr. Warburg evidently confuses reserves with till money. It makes but little difference if the latter be a pure credit instrument, provided the motive and the machinery exist for its prompt and certain conversion into gold. What we should have, instead of the quasi-legal-tender Federal Reserve Notes, is a pure bank credit currency, supported by an adequate reserve of gold and redeemable in that metal.

From Mr. Warburg's Kansas City address a quotation has been made above which shows that he favors the use of Federal Reserve Notes as reserves. Here is another quotation of the same kind:

"Did we not stop half way when we provided that banks are to receive Federal Reserve Notes in payment of debts between each other and from their depositors, but can not count them as reserve for the purpose of discharging their deposit liabilities?"

The unsound element in counting these notes as a reserve lies in the fact that you are thus building one credit upon another—a process which practically has no end. It is no answer to this objection to say that the notes are better than a credit with the Federal Reserve Banks. If this be true, the conclusion follows that deposits with Federal Reserve Banks should not count as reserves unless specially earmarked. That is, instead of going to the extreme of inflation which Mr. Warburg's proposals contemplate, we should establish the sound rule that reserve shall mean but one thing—gold coin or certificates in the actual possession of every bank doing a discount and deposit business.

Already two states—New York and California—have put the legislative ban on the employment of Federal Reserve Notes as reserves, and this action should be followed by other states desiring to maintain the soundness of their banking systems.

Mr. Warburg's experience and skill in foreign banking and his position as Vice-Governor of the Federal Reserve Board give to his utterances great weight and influence. What he said at Kansas City seems calculated still further to swell the oncoming flood of inflation already threatening to engulf the country in panic and disaster.

BIG CLAIMS FOR THE FEDERAL RESERVE SYSTEM

SPEAKING at Chicago on October 18, Hon. Wm. G. McAdoo, Secretary of the Treasury, said:

"The wonderful prosperity of this country, aside from the preservation of peace, is due more to the creation of our new financial system than to all other causes combined. Without the Federal Reserve Banks it would be impossible to finance our phenomenal domestic business and foreign trade."

This extract is from a political speech, not from one of the official reports made by the able and astute secretary from time to time. Something may be allowed for partisan enthusiasm, but even with this concession, is not the Secretary laying on the praise in rather heavy colors? Other than the enjoyment of peace, is the "wonderful prosperity of this country due more to the creation of our new financial system than to all other causes combined?" The war in Europe was itself a pretty big influence; the industry and skill of our people rather large factors; the marvellous resources of farm, mine and forest, also not to be despised. But greater than these—greater than all other causes combined—says the Secretary, was the new financial system! Without this it would have been"impossible to finance our phenomenal domestic business and foreign trade."

This statement loses sight of the fact that the new system did not add a dollar of fresh capital to our banking system; that while the process of transferring reserves from the reserve city banks to the new Federal Reserve institutions was going on the lending powers of the former were considerably curtailed, and that the new privileges of rediscounting and accepting have not been availed of to an extent to cut any appreciable figure, and finally that the resources of all the Federal Reserve Banks combined are barely equal to that of a single bank in New York, and that they are utterly insignificant when compared to the great body of our discount institutions. It is inconceivable that the banks of the United States would not have met the exigencies of the present situation, even without the "help" of the Federal Reserve System. Indeed,

whatever merits this system may develop in the future, it is extremely doubtful that it has been of much real service thus far. Many bankers would say it has been a hindrance rather than a help.

In conclusion, as to the dependence of prosperity upon the supply of money and credit, it may be interesting to call as expert witness one of Mr. McAdoo's distinguished predecessors, Hon. Hugh McCulloch. In "Men and Measures of Half a Century" Mr. McCulloch says:

"For more than fifty years I have been a careful observer of the course of trade and the general range of prices in the United States, and of the causes which have affected the market value of our agricultural and manufacturing productions. I have known prices to be advanced by foreign demand, or by temporary deficiency of supply, but more frequently by speculation, induced and fostered by redundant currency. I have known prices to decline by the reaction of speculation, and by diminutions of the home or foreign demands, but I have never known our farm products or manufactured goods to fail to bring what they were worth, at home or abroad, by reason of insufficient supply of money or of its representatives."

BREAKING UP BANKING RELATIONS

ONE of the strongest objections many bankers have to the Federal Reserve Act is that it is destroying relations between banks which had been built up only after the expenditure of much time and labor. This objection was thus stated by Mr. Joseph Wayne, Jr., president of the Girard National Bank of Philadelphia, in an address at the recent convention of the American Bankers Association at Kansas City.

"The Federal Reserve Act has much to commend it, but one of the most objectionable features in connection with the passage of that Act was the evident intent of its framers to break up the interrelations existing between the banks of this country, on the ground that such relationships were prejudicial to the smaller banks and to the public, but are they?"

These relations between banks were a natural development, and

they have greatly helped to make the country's banking machinery efficient. That there was anything inherently wrong in them was merely an invention of the politicians who are always on the lookout for discovering something that may serve as the basis for an attack on the banks.

So far as the par check question is concerned, that was something that was gradually working out its own solution. Many of the best bankers long since realized that in reducing the charges on checks, and ultimately in bringing them to a universal par basis, the banks would gain more in added volume of business than the exchange fees amounted to, and were working out systems that tended to bring about the realization of this ideal. What they resent is not only the suddenness of the change, but the arbitrary manner in which it has been brought about, tending to break up those relations between banks to which Mr. Wayne referred.

LENDING FOR DESTRUCTIVE PURPOSES

ANNOUNCEMENT of a new British loan for $300,000,000 serves to call attention to the very large amounts this country has loaned to the Entente Allies, and to raise the inquiry whether or not we ought to somewhat modify our present policy of international finance.

The loans to Great Britain, France and Russia are chiefly for military purposes; that is, for purposes of a destructive character. Of course, it may be said that these countries can not begin anew the work of reconstruction until they have finished the war; but, on the other hand, is it not becoming apparent that these loans may have the effect of an indefinite prolongation of the war? And that the end, when it comes, must be only after a struggle which will leave even the victors in an impoverished condition?

It will be said that American loans to the nations named will sustain our trade with them; but the question arises whether we are not lending rather heavily to sustain a trade which is largely ephemeral and must pass away when the war ends. If we have become the virtual financial backers of the nations allied in fighting Germany, probably having entered into the matter there is no way

out short of seeing it through. Should the allied powers fail and a heavy indemnity be imposed upon them by Germany, we might have to whistle for our money. The contest does not look as if it would end that way, however.

While by lending money to the Allies, we undoubtedly help in stiffening their fight against the central powers, and thus in shortening the war if the former are to be the victors, it does not follow that the war would come to a speedy conclusion were our financial support withdrawn. Possibly, however, if Germany continued to show strong powers of resistance, the Allies might under the long-continued pressure show more of a disposition than at present to consider peace proposals.

But aside from what effect the suspension of American loans to the Entente Allies might have in shortening the conflict in the way intimated, there is another side to the matter.

There are other countries whose development has been arrested by the war and that are looking to the United States to supply the credits they have heretofore had from Europe. Is not our ability to supply loans to South America and perhaps to China for purposes of construction somewhat lessened by the large loans we are making to the Entente Allies for purposes of destruction? There is, of course, something to be said on the other side: that the heavy imports of gold from Europe are furnishing us not only with the means to make loans to the Allies, but also leave us a surplus to lend to other countries. Probably until the war is over we shall go on making large loans to Great Britain, France and Russia, but certainly before long it must be to our advantage to participate more largely than we have yet done in furnishing loans for productive capital in South and Central America and perhaps in China.

There is a restraining influence at present on such investment—the attitude of the Administration in regard to American property abroad. The President has declared that we must not use force to protect such property. Should this be the future policy of the country, and with the experience of Mexico fresh in mind, the investment of American capital abroad will likely be seriously hampered. Is it not probable if other nations understood that America stood ready to protect the property of its citizens with force when all other remedies failed, that this of itself would prevent the necessity of employing force and protect the property of our nationals in foreign lands from confiscation?

A New Departure in British Banking

By A BRITISH BANK OFFICIAL

IT is an all too infrequent occurrence in England for a strong and outspoken report to be the outcome of a commission appointed by the Government to consider some particular matter of pressing public importance. A notable and happy exception, however, can now be recorded, for a Commission of Bankers and leading men in the commercial world recently sat to deliberate upon the best means of meeting the financial needs of British firms after the war, with particular in regard to the financing of large overseas contracts; the committee's terms of reference directed them to prepare a detailed scheme upon such lines as their investigations decided. Readers of this MAGAZINE, ere this, have probably seen press references as to the committee's findings, which were that they strongly advised the immediate establishment of a new, large British Trade Bank, formed under the aegis of the Government and working in harmony with Government departments.

If the committee's proposals are carried through, and there is every prospect of that being the case, it will be the biggest step forward in British banking for many a year past and the subject is therefore of sufficient importance, and I think interest also to American readers to justify my entering into some detail as to the constitution of the bank, the place it will occupy amongst the other existing banks, finally adding something as to the scope of its operations, it being remembered throughout that matters have only so far reached the initial stage. As, however, the tide of public opinion seems to run strongly in its favor, there is every probability of the scheme being carried through to fruition.

The British Trade Bank will be constituted under royal charter and will have a capital of £10,000,000, of which a quarter—possibly a half—will be issued at first, with only a small amount paid up so that the reserved liability will be a large figure, which shareholders must of course be prepared to meet if called upon to do so. Under ordinary circumstances it might have been anticipated that the creation of the projected bank would not find favor amongst the existing banks. An examination of the names of the committee making the proposals, however, speedily dispels that illusion. Representatives of the London County and Westminster Bank, Ltd.; Lloyds Bank, Ltd.; Glyn Mills Currie & Co.; The National Provincial Bank, Ltd., and the Chartered Bank of India, Australia and China, all signed the committee's report. But it has also to be said definitely that the bank is not intended to compete but to co-operate with the other banks; existing colonial and Anglo-foreign institutions will act as its agents and in the broad aspect its function will be to carry through that type of financial transaction which the ordinary British bank has not deemed within its proper province—such, for example, as financing emigration, or—in a totally different sphere—amalgamations. The big domestic joint stock banks know that the creation of this new institution, having the blessing of the Goxernment on its head, will be one of the greatest pioneers of British commercial interests in the new era that will succeed the cessation of hostilities and wherever and whenever there is an increase in the volume of trade done by a nation all the banks in that country share in the benefits accruing. It is for that reason that the banking world in this country will energetically support the creation and subsequent carrying-on of the new institution. Supplementing

that view, however, it may be added that the new atmosphere engendered by the war has invaded banking sanctums as it has almost every other department and section of our public life, driving away many of the cobwebs of outworn tradition, and this perhaps in part accounts for the enlightened attitude adopted by the banks, not only in regard to this particular matter under review, but towards many of the problems which the war has inevitably brought in its train.

Readers whose daily vocation lies in the realm of banking and commerce will have already formed a fairly general idea as to the scope of operations on the "prospectus" of the new bank. The reason of its inception is the key to its subsequent life-history. It will exist to "push" things British whether they be individuals or commercial undertakings. American opinion has, I think, ere this gauged the extent of Britain's effort in this war and knows that a definite change of attitude has slowly but perceptibly taken place in the business communities of this country. We are changing from the old conservative type to one that recognizes to the full that it is only by constant effort in every field of endeavor that a nation can hope to keep abreast of the times and its neighbors. This projected bank is one evidence of the change. Admittedly some of its functions will be those that have long been practiced by the German banks—the Deutsche Bank in particular—but there will remain vital differences. It will exist to enable traders to give that long credit which merchants in many countries to which we wish to gain entry expect and which has not as a rule been granted by British traders because they could not obtain the necessary financial accommodation from their bankers. Bills of more than a certain currency the latter have steadily—and from their point of view rightly—refused to negotiate. That will be changed or at least modified by the new bank when it is satisfied that the transactions are reasonable and sound.

It is proposed to include a highly-organized commercial intelligence bureau amongst the departments of the bank. It will deal with proposed amalgamations, consider schemes in which the bank may take a financial interest or even projects in which they will have no direct interest at all but merely act as expert investigators working for a fee; where desirable it may make advances for the setting-up or extension of manufacturing plants or arrange for the co-ordination of several large works to reduce the cost of production. Such a bureau would become possessed of information of far-reaching importance through which it would be in a position to form syndicates to develop new industries or foster and advance old ones. In a word, it is to be a venturesome bank. It is recognized fully that if our products are to be pushed it can only be by manufacturers, merchants and bankers all working in close co-operation, and here we have a scheme which is at any rate one step towards a nearer realization of that ideal.

I may add a word as to what the bank will *not* do. It will not accept deposits at call or short notice and will only consent to open current accounts for such parties as propose to make use of the overseas facilities which it will offer. Especial care is to be given to the formation of the foreign exchange department for that will be the hub of the whole machine. The reason of the non-acceptance of moneys withdrawable at call or short notice is obviously that the bank's funds cannot be kept liquid and at the same time be utilized in the development of business along the lines I have already indicated.

Strong recommendations have been made by the committee to clear the ground at once and establish the new institution in the shortest space of time compatible with due consideration being given to all the proposals made. The latter, of course, may in some respects be altered or modified. Public opinion will undoubtedly endorse the appeal for "hustle," and I am inclined to think that action will be taken without delay.

W. E. CROZIER.

London, England, Oct. 3, 1916.

The Banker and the Distribution of Wealth

By VERNE C. BONESTEEL, Cashier James Valley Bank, Huron, South Dakota

CLOSELY allied to every economic problem which presses upon society for solution is the problem of the distribution of wealth. This is readily apparent in all questions connected with remuneration—wages, rent, interest and profits—though, of course, supply and demand are the chief factors in regulating the size of such returns. Should one battle with taxation, tariff, or eight-hour day, he will also see before him the common foe. Therefore, he who assists in the solution of such a problem renders immeasurable service to humanity.

WEALTH means the total of economic utilities—those goods which serve any human purpose and have a value because the supply is limited. The word "wealth" originally was "weal" or welfare. "Let no man seek his own, but every man another's wealth." (1st Corinthians 10:24). However, as the weal of society and individuals depends so largely on their economic weal, economists think of wealth only in this latter sense.

We all desire distributive justice. But how attain it? Equal distribution is not just distribution. Furthermore, we must be sure that in solving the problem of distribution other undesirable conditions do not appear. Socialism, or the collective ownership of the machinery of production, would certainly remedy some of our unjust distribution; but it would undoubtedly bring other evils which we believe would be worse.

This paper is not an attempt to call attention to the evils of present distribution. Nor do we undertake to point toward the pathway to Utopia. Such a thesis must necessarily be an intense, lengthy study of the state of our fundamental institutions such as property, inheritance, vested rights and contracts. It must submit a revision of "the rules of the game" as to competition, monopoly and organization. The aim of this paper is simply to call attention to the position of the banker in our present socio-economic order, to point out his incomparable power for the continuous and possibly a fairer distribution of wealth, and to call attention to some duties of the modern banker—the servant of all the people.

PRODUCTION is a process which must precede distribution or ownership. It comes very close to ownership—either of the thing produced or of something received for producing. We hear it said that it should determine ownership. Under the old régime, before the division of labor, when every man was a "jack-of-all-trades" who built his own house, made his own clothes and gathered his own food—in those days one could say with some meaning, "Producers are entitled to the benefit of what they produce." But now, when the creation of every little article is accomplished only by countless num-

bers, it is difficult to say what share each producer deserves.

Who are producers? The physiocrats of the eighteenth century emphasized the powers of nature as the source of wealth and taught that the agriculturist was a producer in a special sense. We must not be unmindful of the fact that the prosperity of our country is closely dependent upon the success of the farmer. Yet can we say that he is more of a producer than the merchant? Certainly not. Is the carpenter or bricklayer more of a producer than the steamship captain? No, indeed. Production adds to the materials of nature *form* utilities, *place* utilities and *time* utilities. The miner gets iron ore from the ground, the manufacturer transforms the ore into stoves, the railway company transports the stoves, and the merchant keeps them until they are wanted. If stoves are to be had where and when wanted, one stage is as important as another. Just because the miner or farmer is nearer the source is no reason why he is more necessary in our present civilization than the merchant. Even so profound a philosopher as Lester Ward in his Dynamic Sociology published in 1875 fails to appreciate the economic service of the financier. Where does the banker come in? Well, the banker sets free the agencies of production at *all* stages.

Those producers who gave us form utilities must constantly have the banker's aid for payment of labor, purchase of machinery, etc., for often the largest part of their returns come at one time of the year. This is true of the farmer. Those who produce time utilities—the merchants—lean constantly on the banker. No small part of some merchants' earnings is made by discounting the bills for the purchase of their stock. Thus most of production proceeds on borrowed capital. Without the bank, the forces of production would often cease and the machines of industry would run slowly indeed.

That we may realize how much the banker assists in production, imagine what would happen if he did not assist. Suppose employers are receiving a normal amount of credit from banks. An event occurs which places a strain upon the banks. If the bankers are unable to dispose of paper which has been discounted by them for customers, their reserves decline as a result of the demand. The result: fewer accommodations. The employer who has been looking to the bank to provide him with the fluid capital which he needs in carrying on his business finds himself cut off. Deprived of bank credit, he necessarily reduces those outlays which call for ready funds. This usually means the discharge of employees and consequently the cessation of their wages pending the time when business can get bank credit again. Thus it is evident that the banker takes an important part in the processes of production. It is also clear that for a continuous distribution of wealth the banker's assistance is indispensable.

It is therefore the duty of the banker to keep fit. He must know that his note cases are clean and that he has plenty of convertible paper. He can cause a very serious complication if, in the hope of gaining large profits, he invests funds in enterprises of a speculative character or in deals that are apt to be "long-winded" and by so doing converts *circulating* into *fixed* capital.

IT is, then, manifestly true in this day when practically all business is done on credit that banks, or the manufactories of credit, are absolutely essential to the continuous distribution of wealth. It is also our belief that the banker works for a distribution which stands for equal opportunities for all.

The banker is close to all the people. Partly unconsciously, he is a worker against the causes of poverty and thus he creates opportunities for the well-being of the poorer classes. Some may argue that these same functions help the rich to grow richer and therefore make the poor poorer. It is true that by giving larger assistance to

some who can demand larger credit, competition may drive the weaker out of business. We hold, however, that the banker serves *all* people—rich and poor. He creates opportunities for the advancement of the unfortunate.

The banker combats some of the causes of poverty. It is sometimes hard to say whether poverty is the cause of one's inefficiency or whether one's inefficiency is the cause of his poverty. Social workers must work from both ends, realizing that there are subjective and objective causes. It seems to us that the banker works mainly against subjective causes—against the faults of the man himself. Poverty is bound up with the facts of modern economic life and modern economic life is a very complex growth. Hence, we would not attempt to analyze all the causes of poverty. It is enough here to say that every impartial analysis must name as two very important subjective causes—lack of education and lack of thrift.

Inasmuch as property is accumulated by production and also by saving, all aids to productive efficiency and self-control are helpful toward a wide diffusion of property. Can one measure the good done by banks in the encouragement of thrift? The small amount set aside each pay day, or whenever possible, later grows into a tidy sum which means to the saver growth and home life conducive to better citizenship. Many savings accounts have provided means for education—the leading out of a person—the making of a factory hand, for example, less like a machine, so that when the march of invention takes from him an old job he is not lost; he can adapt himself to new conditions.

Therefore, encourage thrift! It is good citizenship. It is good banking. Your savings department will not fluctuate as do your commercial accounts. They are dependable. Wages that are put in the bank enlarge the working capital of your community. They are invested in new enterprises which increase production and put men to work, all for the common good.

THE banker, because of his relation to society, has another solemn duty in the maintenance of such credit conditions that economic opportunities, including chances for investment, are permitted to develop gradually without shock and in such a way as to preserve the welfare of every member of society. A man wants to organize a company; he wants to sell stock. The banker, if there is no legitimate field, must prevent the launching of this enterprise. To savers he must advise safe investments, steering them away from wild speculations which, when they fail, paralyze the flow of capital.

If every banker could only appreciate the meaning of the stages of production as previously suggested! If we could make men feel that all who assist in satisfying desirable wants have a place in society that must be respected! Then away with ideas which make classes hostile to each other! Labor and capital have no quarrel with each other—they only think they have. Co-operation is the biggest item in the economic preparedness for which we have need in order to meet the competition which our country will soon face.

Because under the existing socio-economic order there will always be rich and poor, the solidity of our society demands that all produce, that the wheels of industry never cease, that there be no manless jobs and no jobless men. The banker must ever be ready to assist those who deserve assistance, remembering that the continuous distribution of the good things of life depends more upon him than upon any other producer.

Co-operation*

By JOSEPH CHAPMAN, Vice-President Northwestern National Bank, Minneapolis

WHEN I was asked to speak here last May I was given the choice of a subject and I chose the subject "Co-operation," but after listening to the splendid address of our President this morning, and of Mr. Vanderlip, who followed him, I found that the groundwork of my speech was pretty well covered. I feel a good deal like the Swede up in Minnesota where I come from, who not having a very great command of the English language, and he wanted to go into the pop, lemonade and popcorn business at the circus. He listened to the Americans who were on the opposite side of the street calling out "Lemonade, five cents a glass; popcorn, ginger ale, five cents a glass," and when there would come a little lull in the conversation he would say, "Same tang over here." (Laughter.)

I heartily endorse everything the gentleman said this morning on co-operation. Conditions are changing in the banking business, and I wonder how many of us realize how rapidly they are changing. In the two years since the Federal Reserve Act has gone into effect, marvelous changes have come to this country, not only to business in general, but particularly to the banking business. In no department of our commercial activity have the changes been more rapid or more revolutionary than in the business in which we are engaged.

When Napoleon told his counsellors that he wanted to found a bank in France which would make credit easy and money cheap for the people of France, they carried out his wishes, and the Bank of France for over 100 years has been doing that in France. Gentlemen, our Federal Reserve Act is founded largely on the experience of the old continental banks in Europe. As those banks did in Europe, this Federal Reserve Bank is doing in America today, and we have not yet adjusted ourselves to these changing conditions.

The first thing that occurs to us as bankers is, that there has been a great deal of adjustment in the rate of interest we are loaning our money to our customers for; but there has been very little adjustment in the rate of interest on the money which we are paying in the shape of time deposits. Notwithstanding this great reduction in the rate of interest, and the small profits the bankers are making, I was very much amused last evening to read in the city "Star," in large headlines, the statement of the Hon. Skelton Williams, Comptroller of the Currency: "Unrest due to high interest," in large type. "Blame for much social and industrial discontent was placed upon excessive interest rates by John Skel-

JOSEPH CHAPMAN
VICE-PRESIDENT NORTHWESTERN NATIONAL BANK, MINNEAPOLIS

ton Williams, Comptroller of the Currency, in addressing the City Club luncheon today." "Records of my department show in communities where the interest charges to small borrowers are excessive," he said, "there is the greatest unrest, and because of this every seditious reformer is given the most welcome hearing." The Comptroller

*Address before convention American Bankers Association, Kansas City, Mo.

told of investigations revealing rates as high as one hundred per cent. for short time loans.

The Hon. Comptroller of the Currency addressed one of the Sections of this association the other night on the topic, "The Soul in the Dollar." He evidently came here with two speeches in his pocket, one entitled "The Soul in the Dollar," and the other should be entitled "The Hole in the Dollar." One is delivered to the American Bankers Association, the other to a semi-political luncheon club.

Gentlemen, I submit, in the first place, that co-operation ought to start in this country between the Federal Board at Washington and the Comptroller's office and the individual banks who are at their mercy today. And I protest that it is absolutely unfair to the bankers of America to have the man holding that great office hold up to ridicule the thousands of bankers in the United States on account of the few half-dozen or more who were charging high rates for very small loans. If the system is going to be a success, gentlemen, I submit there must be co-operation.

A member of the Federal Board in Washington, a year ago, made this statement at a dinner—that the Board had very little sympathy with the complaints of the bankers regarding the subject of the eliminating of the exchange charges, because their investigation showed that the banks who were making the loudest complaints were banks who were paying five, six and seven per cent. for time money. He said, "Gentlemen, if you want to increase your earnings, the Board in Washington will help you to reduce that interest rate." I am going to speak about that a little later; and I am going to pause right there, in order to enable that to sink into your minds. There is meat there—and much meat. It has much nourishment in it.

The people of the United States have seen the operation of the Federal Reserve Act. They have seen that in two years we have brought back from Europe two billions of dollars in the shape of bonds and stocks. They have seen us loan one billion and six hundred and twenty-five million dollars to foreign nations. They have seen our foreign trade expand two billion, two hundred and fifty million dollars. They have seen that in a time of the greatest war that has ever existed in this world, and their verdict is that there is something very good and substantial in the Federal Reserve Act.

Gentlemen, I am going to submit this idea also, that it is impossible for the Federal Board at Washington and the Federal Reserve banks in the various districts to adjust themselves to each of the twenty-seven thousand banks in this country. If that is impossible, there is only one thing for us to do—we must adjust ourselves to the Federal banks, and whether we like it or not is immaterial, that is what we are coming to.

During the past year, during the twelve months from June 30, 1915, to June 30, 1916, I think the records in the Comptroller's office at Washington will show that the bankers in a period of the greatest prosperity we have ever had, have made less money than at any time since 1893. We are not in business for our health. A bank that does not make money, that does not lay up money for a rainy day, for losses are absolutely inevitable, that bank is not a safe bank for people to do business with. (Applause.) Now, the banks of this country, I submit, gentlemen, must be allowed to earn their dividends, and something for a rainy day.

Now, is the initiative for this coming from Washington, or is it coming from ourselves?

When the Interstate Commerce Act was passed, we did not see any commercial associations, or any bankers associations going down to Washington protesting that the railroads were going to be put out of business. We were all attending to our own business. Gentlemen, that is the condition today. You need not expect any delegation to go down to Washington to represent the bankers of this country. What we do, we must do in ourselves, and by ourselves, and I am going to submit this proposition to you: There are certain ways to make money, there are certain things which banks were warranted in giving their customers, prior to the Federal Reserve Act, or the passage of that Act, free, which we are not warranted in doing under conditions today. For instance, I have been in banks in this country that furnish safe deposit boxes to their customers free. Not only did they furnish them free, but in some banks I have seen the customers' keys hanging in the boxes, and the master key hanging alongside on the wall, where any customer might go in and help himself to any box which might take his particular fancy. (Laughter.) No charge was made in that case, because of the fact that the banker was afraid that his competitor across the street was going to give that service to his customer for nothing, in order to get his account. When you consider liability, even in a well-managed safe deposit department, and then consider what liability might be caused through carelessness in such a case as I have just described, there is no banker in America that is warranted in furnishing that kind of service free.

Let us look at another proposition. I have referred to the rate of interest which we pay on time deposits, and to a suggestion made by the gentlemen from the Federal Board at Washington. In older countries, where they have had systems similar to our Federal Reserve Act, they do not pay the

rates on time money that we pay in this country. In other words, to-day, gentlemen, we are in the situation where we are still paying the maximum for our deposits, and are loaning at the minimum. That will have to be adjusted.

I am not saying that it should be a permanent adjustment, but certainly some sliding scale ought to be evolved by the bankers themselves, by which they won't be paying more for money than they can loan the money for, and pay taxes and dividends and expenses besides. Such banks cannot last. They will go out of business.

Another place where we can make money, and a place where most of us are not making money at the present time, is by following the same continental system where they have these cheap rates in the great government banks. There, if you want to open an account with a bank, and your bank account does not average a certain amount, you pay a service charge per month, for the bank doing your bookkeeping for you and furnishing that service. How many banks in America do that today. Gentlemen, we will be forced to put that charge in, in order to make enough money to keep in the banking business.

These three things which I have outlined —getting paid for services in our safe deposit vaults; reduction of rates of interest and the service charge on the balance, where the balance does not warrant us in giving that service free—these three ways will bring in a great deal of money to the bankers of this country.

How are we going to bring that about? Well, I will tell you one thing we have to do. There is nobody as much interested in you, as you are yourself. If you have not the ability to get together with your competitor across the street, and get legitimate money for the legitimate service performed, I don't see how you are going to expect the Congress of the United States to pay any attention when you go down there whining about this thing and whining about that thing. We must get together first ourselves in a legitimate way.

Now, in many cities in the United States today there are no clearing houses. Every town where there are two or three banks, there should be a clearing house; every county where it is possible so to do should have a clearing house. There is the correct place for the country bankers in that county to discuss what rate of interest they can pay on deposits, and live, and in what way they can legitimately increase their revenue.

These two ways are neighborly ways, and to my mind the best way we can accomplish it; but you cannot do it by being jealous and suspicious of your competitor, suspicious of everything that he does and of everything that he says. You will never get anywhere if we are to continue along that line. We are just beginning to realize today the value of associations of bankers, because as we see our profits dwindle, we will have to get closer to our competitors, and we will have to do these things, where formerly it was more or less of an academic question with us in discussing them in our bankers associations; but, gentlemen, we will have to do those things from now on, whether we want to or not, and we might as well smile and treat our competitor as a good fellow, and talk it over, and see how we can each live, and make a little money. So much for those organizations of banks in accomplishing these results. Now, I am going to come nearer home for a minute.

In many banks in the country it is the custom for the officers of the banks to get together either the first thing in the morning, or as soon as the bank is closed, and go over the business of the bank every day, calling the younger men in the bank, discussing the bank's business, laying out plans for the day, and designating somebody to carry them out—that is efficiency. A great many banks do not do that. Too many banks are still one-man banks, where the boss has all the say and the under officers and the employees nothing. In my own bank I go even farther than that. For some months I have offered a prize to the clerk in the bank who would get the greatest number of accounts during that month; another prize for one who would get the largest balance in any account during that month; and a third prize for the second largest number of accounts; but the most important prize of all is the prize given to the employee of the bank who brings in to that monthly meeting the best idea for increasing the efficiency of the bank.

Gentlemen, the banking business in this country, as a profession, is in its infancy. We overlook a great deal of powerful force asleep in our banks, because we don't recognize it, and the system of offering a prize to the young men in your bank not only develops them, and makes bankers out of them, and better men, if you will, but it will increase the business of your bank.

I am very hopeful over the future of the banking business in this country, and the reason I am is because there are being trained in this country some fifteen or sixteen thousand young men in the Institute of Banking. They will have not only the actual practice of banking, but they will have what many of us never had—the theory of banking, and international banking.

I am going to close now, and in closing I want to leave this thought with you; it is just a little couplet, but it is very pat:

"If I can be no good to you
And you, no good to me,
The world without us would go well
So far as I can see."

Gentlemen, I thank you.

Philippines Want American Capital

FROM a statement recently made in the New York "Journal of Commerce" by H. Parker Willis, some interesting information is obtained regarding conditions in the Philippines. Mr. Willis is secretary of the Federal Reserve Board, and has been on leave of absence for several months to aid in opening the Philippine National Bank. He thus refers to the bank and to trade conditions:

"The Philippine National Bank, provided last winter by act No. 2612 of the insular legislature, has been successfully established, and at the time of my departure from the islands on August 31 was in excellent condition and had every reason to expect a successful future. The bank has been assigned an authorized capital of 20,000,000 pesos, or $10,000,000 in American currency. Of this amount 10,100,000 pesos, or $5,050,000, has been subscribed by the Government, and the money to take up the stock appropriated. The Government subscriptions are payable in installments, however, and in the meantime the balance of the stock has been placed on the market and offered to private subscribers. Sales of the stock were steadily being made in lots of varying size, and there is every reason to suppose that the privately owned shares will be widely distributed throughout the islands by the time the Government subscriptions are fully paid up. The Philippine National Bank is the depositary of the insular government, of all municipal governments, including the city of Manila, of the provincial governments, of the postal savings banks, and of various other institutions. It is expected that when the transfer of the Manila and Dagupan Railway to the insular government has taken place, the financial operations of the railroad will be entrusted to the Philippine National Bank.

"The bank thus has a large volume of purely governmental business to transact. It has not, however, confined itself to governmental operations, but has also begun the receiving of general deposits, and has been the recipient of funds from a large number of private depositors, many of them business men in Manila or other cities of the Philippines. Foreign exchange business has been undertaken by the bank on a substantial scale, and relations have been established with the principal places on the China coast and in Japan, while good banking connections have been effected in New York, London and other American and European cities. The bank is advertising that it intends to make a specialty of foreign transactions designed to facilitate the exportation and importation of Philippine products, and has already succeeded in attracting to itself a good deal of business of this description.

"The prosperity of this, as well as of other banks of the Philippines, of course depends upon the general business situation in the islands. There seems to be no reason to doubt the soundness of that situation. Export and import business is steadily advancing and prices of nearly all products were very high at the time I left the islands. The greatest obstacle to the full development of business is found in the transportation situation, which, of course, has been bad all through the European war, and has been particularly trying during the last few months owing to the obstacles placed in the way of the transaction of business and of the movement of goods as the result of the action of the various belligerent countries. In spite of this handicap, trade in general is admitted to be in a very promising and satisfactory state.

"The sugar industry, with things as they are in the world's sugar market, is highly profitable wherever modern machinery has been installed, as it has at

a number of points in the islands. Very substantial interest in the sugar situation is being shown by outside investors, and there is abundant reason to expect that in the near future there will be a large development of modern sugar mills equipped with proper machinery and able to produce good centrifugal sugar for export.

"The cocoanut oil industry is also showing marked development, the business of extracting the oil on the spot having been recently introduced in place of the older method of shipping the copra abroad for the extraction of the oil.

"The cigar business has been greatly stimulated by the high prices of tobacco in Europe and the United States.

"Hemp is high in price and as usual is in strong demand.

"In consequence of the good prices realized for their products the natives have become better customers than in the past, and their desire for American goods of all kinds makes the islands a desirable market for textiles, automobiles, iron and steel products of all kinds, various forms of wearing apparel, particularly shoes, canned goods and a great variety of manufactures, particularly those which have a relatively large value in small bulk, and hence are able to bear comparatively high rates of freight.

"One serious obstacle to the growth of business in the Philippines has been the lack of capital and the high rates charged for loans both at banks and elsewhere. The new bank may be able to relieve this condition in some measure, and is endeavoring to do what it can in that direction, but real relief will come only from the larger investment of funds in the islands by American capitalists. While it may be a good while before general investors in the United States become very deeply interested in Philippine opportunities, those who are familiar with the business openings, in special lines, such as those I have referred to above, are already manifesting genuine interest and in a practical way.

"The Philippines are developing their trade not only with the United States, but also to a very considerable extent with Japan, and in a somewhat lesser degree with China. Chinese trade has been badly crippled by the revolutionary activities that have been in progress in that country, but conditions appear to be steadily growing more stable there, and as they do, the trade of the Philippines with China will improve still further.

"Due to the absorption of English merchants in conditions growing out of the war, and to the present forced withdrawal of Germany money from the field, there is now an unusual opening for American capitalists in China. As recent announcements have shown this opening is being availed of on a very large scale by some of the more enterprising, and there are many indications that small operators will shortly begin to further the sale of American goods in China, recognizing that a very unusual opportunity is now presented to them. Up to date much of the advantage thus offered has been absorbed by the Japanese, but it is likely that they will not long be allowed to enjoy these new and exceptional advantages without competition.

"While the Philippines can obtain an important and valuable share in this new Chinese trade, the opportunity is one that is a good deal more valuable to American business men than to business men in the Philippines. The Philippines for a long time to come will be largely a market for American manufactures, just as China will be, and the trade of the islands with China will consist largely in the exchange of raw products for Chinese goods. The organization of the new bank is intended to assist all these trade movements, and so far as possible to encourage the investment of capital from the United States in the islands, with the assurance of stable and reasonable accommodation to all forms of legitimate business."

Modern Bank Training and Opportunity

What One Institution is Doing to Extend This Training

On being asked the difference between an educated man and one who was uneducated, a noted character of antiquity said: "One is alive, the other dead." This may be an extreme statement of an important truth, but to-day, when the world demands specially-trained men as never before, the man not educated for the particular work in which he expects to engage will find it difficult if not impossible to get out of the inactive or dormant class into the ranks of those who are actively carrying forward modern enterprise and business. In banking this special training will be indispensable to meet the broadened domestic and foreign service which our banks must perform. Institutions for supplying such training, therefore, become an important part of the country's educational system. They will, of course, not aim to take the place of experience; but they can, by systematic and practical instruction, greatly broaden the scope of the lessons which experience teaches. For the man in the bank who wishes to enlarge his outlook beyond the confines of his own desk or department, as well as for the young man desirous of entering on a banking career, but whose time and means do not permit of a special resident course of university study, an Extension Course in Banking has been devised by La Salle Extension University, Chicago. The following article gives an outline of the course and its purposes. Based upon a careful investigation of the methods employed and the success achieved in other departments of extension study, the belief is expressed that the new Course in Banking will be of distinct value in training men for better banking service.—Editor BANKERS MAGAZINE.

MR. JAMES B. FORGAN, for many years President of the First National Bank of Chicago, is one of America's greatest bankers and a power in international finance. He was asked recently whether the opportunities in the banking field are as great today as they were when he began his career.

"There are certainly at present," he declared, "greater opportunities than ever before and more of them for young men entering the banking business. Banking in this country is now in an evolutionary stage. The deplorable European war created the opportunities, and the Federal Reserve system—not yet fully understood or appreciated—affords us the means of taking advantage of them.

"We are just at the beginning of an era of banking development in this country through which our banking system will take its place among and rank with the great banking systems of Europe in national and international trade and finance. The prestige and power of these older systems for years to come will be seriously weakened and 'their extremity will be our opportunity.' There are untold opportunities ahead for competent bankers ready to take advantage of them."

That message is a ringing challenge both to American bankers and to the young men who are looking forward to a banking career. The opportunities in banking have wonderfully expanded. Many new and important business services have been undertaken. Credit has been made safer and more elastic. Business is being financed in new ways and on a much greater variety of negotiable collateral. America has become the banker of the world. Such progress involves its responsibilities and makes the banker a much more vital and determinative factor in business and national life.

NEW DEMANDS ON THE BANKER

NO less change is to be noted in the banker himself. The banker of the past was often able to succeed on a highly specialized mentality, trained as a distinctly one-track mind. He was trained for handling the purely internal administrative problems of the bank, involving bank accounting, office management, deposit, interest, discount, and exchange. These internal problems have lost none of their importance. In fact, modern principles of efficiency only emphasize them the more.

But now the larger economic and

ADMINISTRATION BUILDING, LA SALLE EXTENSION UNIVERSITY

business problems are calling for bankers of broader vision and more comprehensive mental grasp. Modern banking demands men—industrial leaders of great diversity of gifts—who are able to visualize the intricate problems of the whole commercial, industrial, and transportation activities of the country and to take an active part in the constructive direction of these affairs.

Naturally, this higher executive work calls for superior knowledge and a new kind of training, a training which includes these fundamental business and economic aspects of modern banking. What little training was offered heretofore has largely neglected the external economic relations of banking which are now commanding the most serious attention of practical bankers. And this higher banking knowledge cannot be acquired entirely from experience. The present worth of a banker cannot be measured solely by the length of his experience. It must include a strong grasp of the fundamentals in banking and finance.

A TRAINING COURSE FOR THE NEW NEEDS

CONSIDERATIONS such as these have awakened a distinct recognition among leading bankers, including such men as President Frank A. Vanderlip of the National City Bank, New York, for a system of training that will adequately prepare men for the new demands. It was to supply this need generally to all who wished to avail themselves of the opportunity that prompted the LaSalle Extension University, of Chicago, to undertake its new training course in banking and finance by the extension method. For most men now engaged in banking or about to enter the field it is realized that training of this character must come chiefly through the self-taught, spare-time, home-study method.

The value of this new course is guaranteed by the character of the course itself and of the institution which conducts it. The LaSalle Extension University has made an unusual success of vocational and adult education in the higher fields. It has a capitalization of one million dollars and a surplus of half a million more, thus insuring its ability to do big things in a big way.

MEN MAKE THE INSTITUTION

BANKERS well know that the personnel of a business is even more important than its capital, and the real secret of the remarkable growth and

success of this institution is likewise found in its men. It has an educational and business service organization of more than 200 people in its administration building alone, 150 traveling registrars, and 150 college professors and business, legal, and industrial experts of the highest rank as contributors to its textbooks, lessons, lecture, and other instructional material. So thorough and fundamental are the basic textbooks which have been prepared that they have already been adopted in more than one hundred colleges and universities as standard textbooks.

JESSE G. CHAPLINE
PRESIDENT, LA SALLE EXTENSION UNIVERSITY

The president and administrative head of this institution is Mr. Jesse G. Chapline, a keen-minded executive of great earnestness and purpose, whose ability is well indicated by his success. The educational work is under the general supervision of the educational director. Samuel MacClintock, Ph.D., an educator of national reputation, and formerly of the Government service. Each department, including that on Banking and Finance, is under the immediate supervision of an expert, assisted by as many instructors as the work requires. Mr. William Bethke, M.A., an economist of high standing, is in charge of this particular department. The success of the institution is attributable to the able direction of these men and the organization which they have developed.

GROWTH OF THIS WORK

ALREADY more than 90,000 students have enrolled in the various courses of the university, and their increased earning power, greater efficiency, and preparation for leadership is a vast benefit not only to themselves, but also to the nation at large. During a single sixty-day period, President Chapline received more than 5,000 letters of appreciation from students and graduates, thanking him and the La-Salle Extension University for the thoroughness of the courses, the excellency of the service, and the resultant benefits to the students in increased earnings, new opportunities, and greater life satisfactions.

So great has been the growth of the university during the past year that last spring a new administrative building had to be provided. A special plan and design was adopted especially suited to the needs of this work. This building was just occupied in the middle of October. Its convenience and equipment will be factors in the efficient conduct of its work.

COMPLETENESS OF THE TRAINING COURSE

THESE facts and evidences of accomplishment really furnish a background for the success of this new course in banking and finance. Strategic advantage was taken of a great demand

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EDUCATIONAL DIRECTOR, LA SALLE EXTENSION UNIVERSITY

WM. BETHKE, M.A.
HEAD OF DEPARTMENT OF BANKING AND FINANCE, LA SALLE EXTENSION UNIVERSITY

for a course that would furnish knowledge of all the important divisions of banking work—both the *internal administrative* problems and the *external economic* problems. The organization of the course provides for that very thing. Its fundamental textbooks, lectures, practical banking talks, and banking problems deal with the practical administrative questions of banking, bank accounting, bank and commercial law, bank organization, and bank management. They include the basic principles of money and banking, foreign exchange, investments, stock and produce exchanges, price and interest tendencies, financing business enterprises, credit, and other important problems in banking economics. In fact, the man who is looking for a complete course covering practice and problems will find it here.

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AUTHORS AND CONTRIBUTORS OF REPUTATION

THE authorities behind this course are recognized throughout the banking profession. Many of them are known by the public for their national service. They are men with exceptional breadth of training and experience, as well as experts in their specialties. The section on Practical Banking, for example, has been prepared by O. Howard Wolfe, First Assistant Cashier of the Philadelphia National Bank; past president New York Chapter, American Institute of Banking; and for many years secretary of the Clearing-House Section of the American Bankers Association. Mr. Wolfe, during his more than fifteen years of practical bank experience, has advanced all the way from a minor position in a country bank to the position which he now occupies, and thus he is

able to present the matter from all angles.

The section on Banking Economics, including a very comprehensive treatment of the Federal Reserve System, is by H. Parker Willis, Ph.D., Secretary of the Federal Reserve Board, recently on leave of absence to organize the new ten-million-dollar Philippine Government Bank and serve as its first president. As a former college professor in banking and finance, former managing editor of the New York "Journal of Commerce," and banking expert to the House Committee on Banking and Currency, Dr. Willis is unusually qualified for this section.

There are nearly twenty authors and contributors to this course, all selected for a special task for which they were unusually well qualified. They include such men as Hon. George E. Roberts, of the National City Bank, New York; Louis Guenther, Editor, "Financial World"; Frederick Vierling, Trust Officer of the Mississippi Valley Trust Company, St. Louis; R. S. White, Credit and Collection Manager, American Steel & Wire Company; Eduard M. Skinner, formerly president Chicago Association of Commerce; Elmer H. Youngman, editor of THE BANKERS MAGAZINE, and others of equal ability.

Thus, this course in the breadth and thoroughness of its organization and conception offers American bankers and financiers, their employes and those looking forward to such work, as well as business men interested in these problems, a new and unusual means of preparing for these new opportunities and new responsibilities of this progressive business era. Men so trained—constructive, forceful, clear-visioned, resourceful, and far-sighted—will take a leading part in the industrial life of the coming years and are assured commanding success.

A Country Bankers Views

THE National City Bank of New York has received a letter from C. Carlin, president of the Bank of Palmyra, Wis., which it reprints as follows in its September trade circular:

I wish I had a means of being heard by every laboring man from Coast to Coast. I would say to him: "If there ever was a time when you laboring men should let well enough alone, it is NOW, and this is WHY:"

Crops are of a light average. An excessively wet and cold late spring and early part of summer was a bad handicap. An unusually hot and dry midsummer blighted the hopes of promising early sowed and planted grain and ruined late sowed stuff on heavy and low land. Fruits and berries are scarce and vegetables and poultry are almost rare. Milk production is off about thirty per cent. and stocks of condensed and powdered milk are unusually low.

Owing to high wages and short hours, labor for the farms has been scarce. Weeds have grown undisturbed, shortening the crops this year and filled the land with foul seed to be a curse for a generation. At a time when many a farmer who has worked for fourteen and sixteen hours a day will barely live and breathe even, why should railroad or other employes, who are getting more wages and full employment, strike for more? Especially when they are getting as much gold or its equivalent for a week's work as one of the poor fellows in the trenches laid by in a year or even more; and our laboring people should know that it is by the gold that the poor fellows referred to have spent years to lay by, that they (our laboring people) are prospering by now.

It is, perhaps, hard for the average laborer to comprehend how a weedy potato field in Wisconsin should shorten the allowance on *his* table, but it has its effect, just as sure as dipping a pail of water from Lake Michigan into the drainage canal, makes one pail less to go over Niagara, and if there is nobody to wield a hoe, the weeds will grow.

Personally, I fear results of shortening hours more than the raising of wages. The inflation by the Federal Reserve System, for one thing, and still more the inflow of gold as a basis of credit expansion, may compensate for increased wages.

BUT our manner of living—that is, the degree to which all may be indulged in the good things or necessities of life, depends entirely on how much or how many of these things there are to go around, and it is a foregone conclusion that if hours of labor are reduced, less is produced, and somebody must go without something. I believe that if every labor leader, and every politician, would comprehend the foregoing, which I believe to be *fact*, and set it before the masses, the average of intelligence is high enough so it would have a marked effect.

Banking and Commercial Law

CASE COMMENT AND REVIEW

The Danger in Handling Trust Funds

THE necessity of using care in receiving and disbursing funds arising from trust sources, such as estates, public moneys, bankruptcy, guardianship, etc., is again shown in two cases in this number: Fidelity and Deposit Co. of Maryland vs. Queens Co. Trust Co. and Town of Eastchester vs. Mt. Vernon Trust Co. In accepting such deposits as above indicated, the bank usually has knowledge that the money is a trust fund under control of a trustee, by whatever term described, and is charged with notice of any irregularity in the dispersing of the same. In receiving the first deposit this knowledge is certain, for no bank will open accounts indiscriminately. Subsequent deposits may be put through in the rush of the day with less ceremony and the burden is upon the teller rather than on the executives to use due care. The greatest danger lies in the payment of checks drawn against such funds, it frequently being the case that they are drawn in such a way as to carry on their face evidence that a diversion of funds is in process. For instance, a check to the trustee's personal order, or a note of his own charged to the trust fund, would obviously be notice of possible irregularities. While the trustee may properly draw to his own order, in no case should a bank allow a personal note to be charged against trust funds, for the diversion is plainly apparent.

Legal Tender

IN controversies arising in business matters it sometimes becomes necessary to make an offer in money that will bar any claim that payment has not been tendered in a form which the law has declared to be "legal," i. e., in a form which the creditor must accept, if the amount tendered shall be the sum needful to settle the obligation.

The laws of the United States provide what shall constitute such a tender. Many forms of money are in circulation, but all are not legal tender. For instance, national bank notes are not legal tender. Nickels and cents are legal up to twenty-five cents only. Under no condition is a check, whether certified or not, legal tender.

In the case of Burritt vs. Lunny in this issue, the question of what constitutes a legal tender arises. For many years a tenant paid rent to the landlord by check, which was accepted without question. After three years of such procedure the usual check was tendered to the agent of the landlord for the February, 1916, rent. The agent refused to accept the same and demanded the rent in "money." The rent was then offered in the form of twelve $10 bills and one $5 bill of United States currency. This the agent refused to accept and the money was paid into court. The exact form of the bills is not stated, but it is presumed they were national bank notes. The court says:

"We have no concern with the plaintiff's contention that the tender should have met the technical requirements of the United States statutes relating to legal tender. Plaintiff demanded that the rent should be paid in "money." This the defendant attempted to do. * * * Bank notes constitute a part of the currency of the country, and ordinarily pass for money, and a contract will, in the absence of proof to the contrary, be presumed to have been made with reference to the currency in which

business is usually transacted." The payment was sustained.

Leading Cases

Misapplication Of Trust Funds

NEW YORK

Conversion of Funds—Proof—Bankruptcy Liability of Surety—Notice.

Supreme Court, Appellate Division, Second Department, June 16, 1916

FIDELITY AND DEPOSIT CO. OF MARYLAND VS. QUEENS CO. TRUST CO.

In an action by a surety company against a trust company to recover the amount of certain checks, which a trustee in bankruptcy, having the funds of the bankrupt estate on deposit with the trust company, had drawn out of such account and converted, and which the surety, on default of the trustee, had been compelled to repay to the bankrupt estate, the burden was on the surety to show the trust company's knowledge of the true nature of the account. 159 N. Y. Supp.)

ACTION by the Fidelity and Deposit Co. of Maryland against the Queens County Trust Co. From a judgment entered upon a verdict directed in favor of the plaintiff, from an order denying its motion for a new trial on the minutes, and from an order granting plaintiff an extra allowance, defendant appeals. Judgment and orders reversed, and complaint dismissed.

STATEMENT OF FACT AND OPINION

MILLS, J.: The action was brought by a surety company against the defendant trust company to recover the amount of certain checks, which Robert J. Peebles, a trustee in bankruptcy having the funds of the bankrupt estate on deposit with the defendant in the name of "Robert J. Peebles, Trustee," had drawn out of that account, to himself or manifestly for his own individual purposes, and which the plaintiff, upon the default of the trustee, had been compelled to repay to the bankrupt estate, such trustees having died insolvent.

Quite an amount of evidence was introduced by plaintiff, much of it documentary. That in behalf of the defendant was brief, consisting mainly of the testimony of its officers and employes to show that it had no express notice that the fund was that of a trust estate. The transactions of the account were back in 1906, 1907 and 1908, and defendant's witnesses had no specific memory other than what the entries showed. The learned trial court would not permit those witnesses to testify that they did not know that the account belonged to the bankrupt estate, and excluded all such quesions upon objection of plaintiff, defendant excepting. I am not quite sure that those rulings were correct; but, as doubtless the burden was on the plaintiff to show knowledge by the defendant of the true nature of the account, probably no harm can be imputed to those rulings, if it should be concluded that the plaintiff did not sustain that burden.

The undisputed facts appear to be as follows:

On May 15, 1903, the said Peebles was appointed trustee in bankruptcy of the estate of the bankrupt, William Trist Bailey. By order duly made June 28, 1906, the trustee was required to give a bond in the sum of $25,000, and directed to deposit the funds with the defendant without any bond being required of the defendant. Apparently he had before given a bond in the amount of $10,000, which was superseded by the $25,000 bond. On June 28, 1906, an order was made by the referee, approved by the judge, directing the funds of the estate to be deposited with defendant. On September 10, 1908, an order was

made designating the defendant as a general depository in bankruptcy estates and requiring it to give a bond for $10,000. There is no proof that any such bond was ever given.

On June 27, 1906, the plaintiff gave its bond as surety for the trustee in the sum of $25,000. On July 3, 1906, the trustee opened an account with the defendant in the name of Robert J. Peebles, trustee. He died December 31, 1908, leaving a balance of $270.06 in such account, in which he had deposited an aggregate of $18,084.22, including a little interest allowed by defendant upon the balances. There is no evidence that any copy, either of said order designating defendant as such depository or of rule 29 of the Bankruptcy Rules prescribed by the United States Supreme Court (18 Sup. Ct. viii), which requires that moneys of such estates can be drawn from such a depository only by check of the trustee, countersigned by the clerk of the court, was ever served upon the defendant or came to its notive, or that any bond was furnished by it. No doubt, if the defendant did furnish any such bond, the plaintiff could easily have proved that fact.

Frank L. Entwisle was, on February 5, 1909, substituted as trustee in bankruptcy of the estate, in place of Peebles, deceased, and thereafter the administrator of that estate and the plaintiff, as his such surety, were called to account for his proceedings as such trustee, with the result that it was found that the decedent's estate was indebted thereon to the bankrupt estate in the sum of $8,142.11, which had been misappropriated by the decedent, and an order was duly made requiring plaintiff and the administrator to pay that amount over to the substituted trustee, and, the Peebles estate aparently being insolvent, the plaintiff, as such surety, was compelled to pay over said amount to said substituted trustee. Thereafter the plaintiff brought this action against the defendant to recover $6,618.68, the amount of several checks drawn by Peebles upon such account with the defendant and paid by defendant, which checks were not countersigned by the clerk of the court.

At the close of the trial, upon plaintiff's motion, the court directed a verdict for the plaintiff for $6,600, the amount of nine such checks, which the evidence showed were used by decedent for his own personal purposes, with interest thereon, making in all the sum of $9,221.29, and the court denied defendant's motion to submit to the jury various questions as well as the entire case.

The decedent made twelve separate deposits in such account, aggregating the sum of $17,621.42, all belonging to the bankrupt estate and being principally proceeds of sales of its real property. As to the form of those deposits, the following facts are to be noted:

The third deposit, being of $2,394.88, consisted of four checks, which decedent had received in payment for certain lands of the estate. They were drawn to the order of Robert J. Peebles, trustee (one being simply to Robert J. Peebles), and indorsed in the name of Robert J. Peebles, trustee. On September 13, 1906, he deposited two checks, aggregating $2,849.17, one of which was Exhibit No. 20. That was a check drawn by John J. O'Grady to himself and indorsed thus:

"Pay to the order of Robert J. Peebles, Trustee in Bankruptcy for William Trist Bailey, Bankrupt. John J. O'Grady."

"Robert J. Peebles, Trustee in Bankruptcy for William Trist Bailey, Bankrupt, for deposit to the credit of Robert J. Peebles, Trustee."

All of the deposit slips appear to have been simply in the name of "Robert J. Peebles, Trustee." It is evident that the only thing significant about the deposits, as giving any notice to the defendant of the true character of the fund, is the O'Grady check above described. The deposit slips indicate that there were eleven checks deposited in the account.

As to the checks drawn by decedent upon the account, the following are to be especially noted, viz.:

(a) Four checks, dated July 21, 1906,

and charged as paid July 24. Each of those checks bears, at the upper right-hand corner, the words "In re Wm. Trist Bailey," and has across the face thereof the words: "Percy G. B. Gilkes" (written), "Deputy Clerk U. S. District Court, Eastern District of New York" (stamped), and is signed "Robert J. Peebles, Trustee."

(b) Twenty-nine like checks, with similar heading and stamp and writing across the face were drawn by Peebles, with the same signing, upon the account at various intervals from July 27, 1906, to July 18, 1908.

(c) At different times, beginning with the first check on July 17, 1906, to and inclusive of the last one on September 19, 1908, seventeen checks were drawn by decedent "trustee" upon the account, each of which seventeen checks was without any such heading or countersigning. Those seventeen checks included the nine upon which recovery was had. Of those nine checks the following six, viz.: (1) September 17, 1907, $750; (2) February 11, 1908, $250; (3) March 13, 1908, $250; (4) April 24, 1908, $450; (5) June 22, 1908, $750; and (6) August 12, 1908, $1,800—were drawn to his own order and deposited in his own personal account with defendant. Of the other three of the nine checks, two were drawn to his order and cashed to him by the defendant, and the other one, namely, that of September 21, 1907, for $1,000, to Robert F. Norton, was a personal loan by decedent to Norton. All of the nine checks were drawn subsequently to the last deposit.

In addition to the fact of the conversion of the moneys by Peebles, it seems to be recognized by counsel that in order to sustain the recovery had the following propositions must here be affirmed, viz.: (a) That defendent had notice that the funds belonged to the bankrupt estate; (b) that it had notice that they were by the checks in question being converted by Peebles to his own use; (c) that the defendant would be liable to the bankrupt estate, although it did not itself benefit by decedent's misappropriation of the moneys, as by having them applied to pay any indebtedness by him to it; and (d) that, under the circumstances, plaintiff is subrogated to the right of the bankrupt estate to hold the defendant liable.

As to the proposition (a) above stated, it seems well settled that the mere use of the word "trustee" in such an account does not give even constructive notice that the account is really in trust and not individual. Manhattan Sav. Inst. vs. N. Y. Nat. Exch. Bank, 170 N. Y. 58; Beaver vs. Beaver, 117 N. Y. 421; Swarwout vs. Mechanics Bank, 5 Denio, 555.

In the cases cited by respondent's counsel relating to such an account, the fact that the depository actually knew the trust character of the account, not merely that it was deposited in the name of the customer "trustee," was clearly established. Thus in the case of American Nat. Bank vs. Fidelity & Deposit Co. of Maryland, apparently the respondent here, 129 Ga. 126, cited at length in respondent's brief, the depository defendant had accepted its designation as such by an order of the court, which expressly provided that checks must be countersigned by the judge, except those for actual expenses, and that those must specify for what expenses drawn. In that case the checks in question were not for either such kind.

Also in Parks vs. Knickerbocker Trust Co., 137 App. Div. 719, 122 N. Y. Supp. 521, the depositor, when he made the deposit, actually notified the defendant that in case of his death it was to be paid to certain officers of the association, which in effect, with the word "Treasurer," was notice that the fund belonged to the association.

Again, in Walker vs. State Trust Co. (2d Dept.) 40 App. Div. 55, it appeared that the deposit was originally made in the name of the infant real owner. The expression used by Mr. Justice Cullen in the opinion (40 App. Div. on page 58, 57 N. Y. Supp. on page 527), "for the words 'special guardian,' etc., were merely descriptio personæ," indicate that, if the deposit had been in the name of "Winchell,

Special Guardian," the trust company would have had thereby no notice that the fund was really in trust and belonged to another.

Moreover, in Niagara Woolen Co. vs. Pacific Bank, 141 App. Div. 265, which appears to be the main reliance of the respondent, at least among New York decisions, the fact that the money deposited by Philip Horowitz with the defendant, in the name of his firm, was really at least originally the property of the corporation, was evident upon the face of the deposited checks, they being drawn to the corporation and indorsed by Horowitz as its president.

The evidence, aside from the manner of opening the account, failed to show any actual direct notice to defendant that it was really the account of the bankrupt estate. Thus there was no proof that any copy or actual notice of either the first order by the referee in bankruptcy, approved by the judge June 28, 1906, or of the second order, made September 10, 1908, designating the defendant as a general depository, or of bankruptcy rule 29, which provides, in effect that such funds can be drawn only by checks countersigned by the judge, clerk or other officer designated under an order made by the judge or any copy of such an order, or even the name of any officer so designated, was ever served upon or in any way communicated to the defendant. It was not proven that the general designation of the defendant, by the order of September 10, 1908, was ever accepted by defendant by furnishing the bond required by its terms or otherwise. There was no evidence that any of the defendant's officers or representatives were in any manner orally informed that the account was really that of a bankrupt estate, unless indeed they were so informed by the writings upon certain checks hereinafter particularly referred to and considered.

The account, upon the credit side, shows twelve separate deposits, including eleven checks, all made by the slips in the name of "Robert J. Peebles, Trustee." Of the checks so deposited only one has any significance upon the question of notice, and that was the O'Grady check hereinbefore described. That was for $2,125, drawn by O'Grady to his own order, and indorsed by him to Peebles as trustee of the bankrupt estate, and by Peebles in that name. It had been given by a purchaser upon a sale of some of the bankrupt real property. That check was deposited in the account, with another check, by the usual slip in the name of "Robert J. Peebles, Trustee," on September 13, 1906.

Upon the other side of the account it appears that decedent drew in all fifty checks, of which thirty-three had, across the face thereof, the words "Percy G. B. Gilkes" (written), and "Deputy Clerk U. S. District Court, Eastern District of New York" (stamped), and that twenty-one of the thirty-three checks had, written in the upper left-hand corner, the words "In re Wm. Trist Bailey, Bankrupt," and four of them had, written in the same place, the words "In re Wm. Trist Bailey." The contention of the plaintiff is that those stamps and writings upon the face of the thirty-three checks, and the indorsement upon the O'Grady check deposited in the account as above stated, gave to the defendant at least constructive notice that the account was really that of the bankrupt estate.

As to the effect of the marginal memorandum upon the twenty-one checks, viz., "In re Wm. Trist Bailey, Bankrupt," the cases cited by the counsel for the appellant seem to sustain his contention that such a memorandum constituted no notice to the defendant of the true character of the account. In State National Bank vs. Dodge, 124 U. S. 333, the defendant bank, having by court been made a general depository of court funds, the practice was for the clerk, in the case of each deposit, to write upon the deposit slip the number of the bankruptcy case to which the fund belonged, and of the bank to enter such number with the deposit, and for the checks to have written upon them, at the right-hand upper corner, the number of the case, and below the words "In the Matter of (name filled in),

Bankrupt." Many deposits were made in different cases. Several checks were given to Dodge in one case upon account of claims of his against that estate but the bank refused payment of them for the reason that it had already paid, upon other checks, all of the deposits, although it should have had a balance of the deposits in that case sufficient to pay those checks. In other words, the bank had paid out such balance upon checks drawn in other cases according to the memoranda thereon. The United States Supreme Court held that the bank was not liable for such payments made in the wrong cases, and the opinion said:

"No bank is bound to take notice of memoranda and figures upon the margin of a check, which a depositor places there merely for his own convenience, to preserve information for his own benefit; and in such case the memoranda and figures are not a notice to the bank that the particular check is to be paid only from a particular fund. So, too, a mark on a deposit ticket, if intended to require a particular deposit to be kept separate from all other deposits placed to the credit of the same depositor, must be in the shape of a plain direction, if such a duty is to be imposed on the bank."

The appellant's brief states that the case of State National Bank vs. Reilly, 124 Ill. 464, 14 N. E. 657, is a similar case to the Dodge case, supra, brought by another like party against the same bank in the Illinois state court, and decided in the same way by the Supreme Court of that state at about the same time.

In the case of Duckett vs. National Mechanics Bank, 86 Md. 400, 38 Atl. 983, 39 L. R. A. 84, 63 Am. St. Rep. 513, also cited by appellant's counsel, the bank received and deposited in the personal account of one Clagett a check which had written into it these words, "being the balance of purchase money due him as trustee from John R. Coale." Afterwards Clagett withdrew the money and applied it to his own use. The Maryland Court of Appeals held that the bank was not liable.

In the case of La Montagne vs. Bank of N. Y. Nat. B. Ass'n, 183 N. Y. 173, at page 181, 76 N. E. 33, it was held that, where a limited partnership made a deposit with the defendant in its firm name, of money contributed by the special partner, a statement accompanying the deposit that the certificate of limited co-partnership would not be filed until the next day, and that the firm would not commence business for two or three days, did not put the bank upon its inquiry to learn, as it might from the articles, that the firm could not begin until the later specified day. It was held that the bank was not liable for paying out before that day a part of the deposit upon a check in the name of the firm, drawn by one of the other partners.

In the Niagara Woolen Co. Case, supra, 141 App. Div. 265, largely relied upon by the respondent's counsel, it was perfectly evident upon the face of all of the checks deposited that the funds belonged to the corporation and had been by Horowitz's indorsement as president applied to the use and benefit of his firm or himself individualy. I do not see that that case has any bearing upon the question of notice here, except as to the effect of the O'Grady check, which was indorsed by Peebles as trustee of the bankrupt. That check would seem to have been notice to the defendant that Peebles was then (September 13, 1906) trustee in bankruptcy of Bailey, and that the money represented by the checks had belonged to Peebles as such trustee. None of the other ten checks, which form nearly all of the entire sum deposited, contained any such information, and I do not see how that one check gave to the defendant any constructive notice that the other deposits were of the same character. As to the amount of that check, $2,125, it is undisputed that defendant paid out far more than that amount in proper payments for the benefit of the bankrupt estate.

It would seem, from the authorities reviewed, that defendant was not bound to take note of any matter appearing upon the checks, except such as served

to carry out the contract between itself as debtor and Peebles as creditor, viz., the direction for payment, the signature of the depositor, and the indorsement.

As to the countersigning of the thirty-three checks by the clerk of the court, it is evident that, under the provisions of rule 29 and section 47 of the Bankruptcy Act, such countersigning was necessary, provided a depository had been designated by the court under section 61 of that law; but the difficulty here is that there is no evidence that the defendant had ever been advised that any such designation had been made by an order, and apparently the general designation was not made until by the order of September 10, 1908, which was after all except the last payment in question had been made. If it may be held that defendant is to be charged with having known the federal statutes, and even the rule above referred to, it certainly was not chargeable with knowledge of the order of designation. Unless the defendant had notice of such order, as well as the rule and the statutes, I do not see that it was bound to take note of the signing and stamping by the clerk, any more than of the marginal memoranda.

Respondent's counsel makes much of the fact that three of those thirty-three checks were certified by defendant; but I do not see that that fact gave to the writings upon their face any greater effect as notice to the defendant of the real nature of the account. It means merely that the defendant had those three checks twice under observation before actually paying them. I think, therefore, that the evidence did not warrant the conclusion that the defendant, when it paid out the nine checks, had notice that the account belonged to the bankrupt estate.

As to the second proposition above stated as (b), I think that, even if the defendant had notice that the account was really that of the bankrupt estate, it is not chargeable by the nature of the nine checks with the fact that they constituted conversion by Peebles of the trust fund to that extent to his own personal use. The contrary seems to me to have been held in the Niagara Woolen Co. Case, supra, 141 App. Div. 265, 126 N. Y. Supp. 890, and that case is also decisive in favor of the plaintiff as to the third proposition above stated as (c). The majority of the court there distinctly held that such a bank is just as much liable where it permits such a depository to apply the trust funds to his own personal uses, e. g., to the payment of his debt to a third party, as where it receives from him the money in payment of his debt to it. There was in that case a very strong dissent by Justice Scott, with whom Justice Clarke concurred, to the effect that to hold such a depository liable it must appear that it derived some personal benefit from the transaction, e. g., the payment of a debt to it. In Havana C. R. R. Co. vs. Knickerbocker T. Co., 198 N. Y. 422, which apparently was decided upon another point not pertinent to this case, that court, by its present Chief Judge writing, stated:

"Here the checks were not designed to discharge any obligation owing to the defendant. The defendant merely collected the amounts thereof and placed the same to the credit of the payee."

In the recent case of Bischoff vs. Yorkville Bank (December 30, 1915) 170 App. Div. 679 (see BANKERS MAGAZINE for October) the Appellate Division in the First Department held that the bank was liable where it had permitted the executor to apply the funds to his own personal uses, and not merely for the portion thereof which he had used in paying his own indebtedness to the bank; Mr. Justice Scott alone dissenting, and upon the same ground as in the Niagara Woolen Co. Case, supra.

Since the argument before this court of the case here at bar, the decision of the Court of Appeals in the Bischoff Case, supra, has been announced (May 2, 1916), being reported in 112 N. E. 759. Therein that court affirmed, with some slight modification of amount, the order of the Appellate Division affirming a judgment in favor of the plaintiff in the case where an executor had, by means of checks drawn by him as such upon the account of the estate in an-

other bank, to himself individually, and by him deposited in his own individual account with the defendant bank, and then by checks to the defendant bank, applied a considerable part of the funds to the payment of his notes to such bank, and by other checks nearly all of the rest of it to other personal uses; the action having been brought by the administrator with the will annexed, who had succeeded the executor. The Court of Appeals, by Colin, J., writing, in that case held: (a) That the form of the checks deposited notified the defendant bank that the funds belonged to the estate; (b) that the checks upon the account with the defendant bank, to pay the executor's individual debts to that bank, were constructive notice to the bank that he was converting the estate funds to his own use, and therefore charged it with the knowledge which, upon due inquiry, it might have obtained that his other checks were really for the same purpose; and (c) that therefore the defendant bank was liable for all of the sums out of the funds of the estate, which he converted to his own use, both those actually paid to the defendant upon his debts to it and those applied by him to his other personal uses. The opinion, as to the latter class of checks, declares that the mere fact that checks were drawn by him upon the account to his own personal order would not have given such bank notice that he was intending to convert the moneys to his own use, but that the bank in that case would still have been warranted in presuming that he was not so engaged and did not intend to do so.

It therefore appears that the law of this state now is that the depository bank is not bound, from the mere form of the check, viz., being payable to the depositor's individual order, to take notice that the depositor, being a trustee of the funds, is thereby intending to divert the moneys to other than the trust purposes, but must have some other notice of such fact in order to be chargeable therewith. In the case here at bar no such other notice was proven, there having been no application by the trustee of any of the funds to the payment of his own personal indebtedness to the defendant. Therefore, upon the authority of the Bischoff Case, supra, in the Court of Appeals, I conclude that the trial court was not warranted in finding the defendant liable for Peebles' said conversion of the trust funds. * * *

Therefore I advise that the judgment and orders be reversed, and the complaint dismissed, with costs.

(159 N. Y. Supp. 954.)

Public Moneys

Relation of Bank and Depositor—Trust Funds—Misappropriation of Funds—Notice

New York Supreme Court, Appellate Division, Second Department, June 2, 1916.

TOWN OF EAST CHESTER VS. MT. VERNON TRUST CO.

The opening of a bank account in the name of the depositor as supervisor of a town distinguished it from a personal account only in that it informed the bank that the moneys did not belong to the supervisor as an individual, but that he held them in trust; the word "supervisor" indicating the depositor's official relation, and therefore the nature of the trust.

Where money is deposited in bank subject to check by an individual as supervisor of a town or as trustee, the bank is not obliged in either case, for the purpose of protection in paying checks, to search for the depositor's authority.

Where a town supervisor deposited town funds in bank under an arrangement whereby they might be withdrawn for town purposes by check or draft containing the signature of the supervisor as such, when such supervisor presented such a check, payable to his own order, the bank was not called upon at its peril to delay payment, interrogate the supervisor as to his purposed use of the funds, or suspend payment pending investigation, since, when a check in the form justified by the contract between the parties is presented by a depositor of trust money, the debtor owes no duty on behalf of the beneficiary to scrutinize the demand, or be circumspect, lest his customer is betraying his trust.

Where a township supervisor deposited town funds under an arrangement whereby they might be withdrawn by check signed

by the supervisor as such, the fact that the supervisor presented for payment many checks to his own order did not charge the bank with notice of the supervisor's intention to misappropriate the trust funds to his own use.

(159 N. Y. Supp.)

ACTION by the Town of Eastchester against the Mt. Vernon Trust Co. From an interlocutory judgment overruling its demurrer to the complaint, defendant appeals. Judgment reversed, and demurrer sustained, with leave to plead over.

STATEMENT OF FACT AND OPINION

THOMAS, J.: Between May 16, 1905, and March 2, 1909, the defendant paid to the drawer $69,653.19 upon some fifty-seven checks signed "Henry C. Merritt, Supervisor," and payable to his order. The payee appropriated the money to his own use. Merritt, as the supervisor of the town of Eastchester, the plaintiff, had received the money, and deposited it with defendant in an account opened in the name of Henry C. Merritt, Supervisor, under an arrangement with the depositary whereby the moneys might be deposited and withdrawn for town purposes by checks or drafts which should contain as the signature of the drawer thereof the following: "Henry C. Merritt, Supervisor." The defendant knew that the moneys so deposited and from time to time withdrawn under such arrangement were town funds, and that Merritt had no right to withdraw them for his own use, and that he could legally withdraw them only for the uses and purposes of the town and in conformity with his duties as such supervisor. But without plaintiff's knowledge or consent Merritt did draw and convert the moneys in the manner and to the amount stated, although—I will assume from the complaint, to which there is demurrer—investigation by defendant would have disclosed the purposed misappropriation.

The question is whether the defendant was required to make inquiry. The defendant did not have actual knowledge of the intended conversion. But it is urged that it had constructive notice of it, in that, knowing that Merritt was drawing against public moneys, it honored his checks payable to himself, whereby a personal appropriation by him was signified, and that, even if in a single instance such form of check might have an innocent aspect, repeated use of it changed the complexion of his conduct and gave notice of diversion of the fund to Merritt's personal use. The case should be cleared at once of the considerations that impose liability, where the banker is deemed to participate in a criminal conversion of trust funds. Such instances have arisen under varieties of fact, but it is sufficient to refer to Lowndes vs. City National Bank, 82 Conn. 8; Smith vs. Anderson, 57 Hun, 72; Duckett vs. National Bank, 86 Md. 403; Ward vs. City Trust Co., 192 N. Y. 61. And also are laid from view decisions, in instances related to the class above indicated, where banks have received checks, notes, or securities, that in their form state or imply directions that they be credited or retained for a third person, or raise the question whether the presenter is entitled to personal credit on account of them. Such questions were involved, at least in part, in First National Bank vs. National Broadway Bank, 156 N. Y. 459. * * *

And similarly I disregard decisions, so far as they rest on the fact that the depositor is known to be, and is accepted as, the agent, or representative, or trustee, of a third person or a court, and the depositary is informed of the authorized manner of withdrawing deposits, ordained by rules, orders of court, prescribed signatures or counter-signatures. Of that class is American Nat. Bank vs. Fidelity & Deposit Co., 129 Ga. 126. Nor is the present decision essentially concerned with the rights of

third persons to follow trust moneys that the depositor has without right committed to a bank, or after rightful deposit seeks to divert, or which the bank would turn to the personal use of the depositor, or refuses to turn over to the depositor's principal or successor in office. For such discussion reference is had to National Bank vs. Insurance Co., 104 U. S. 54; Freeholders of Essex vs. Newark Nat. Bank, 48 N. J. Eq.

Keeping the present discussion within the inquiry whether there was notice of wrongdoing by the depositor that should have moved the defendant to inquiry, I note some familiar rules of law. The relation between the defendant and Merritt was that of debtor and creditor. The opening of the account in the name of "Merritt, Supervisor," distinguished it from a personal account only in that it informed the bank that the moneys did not belong to Merritt as an individual, but that he had them in trust. National Bank vs. Insurance Co., 104 U. S. 54. In this instance the word "Supervisor" indicated the depositor's official relation, and therefore the nature of the trust; while, if the deposit of the moneys had been by "Merritt, Trustee," the trust itself would have been wholly undefined, and the depositary would have known only that it did or might exist.

But, in either case, the bank was not obliged, for the purposes of payment, to search for his authority as trustee. Manhattan Savings Institution vs. N. Y. National Exchange Bank, 170 N. Y. 58; Boone vs. Citizens Savings Bank, 84 N. Y. 83. The relation of the parties is clear. Merritt, supervisor, had deposited moneys which he officially held. Then the defendant owed him the money, and could and should pay it only to him. Perley vs. County of Muskegon, 32 Mich. 132. If it did not pay upon proper demand, it was subject to action (Citizens' National Bank vs. Importers and Traders Bank, 119 N. Y. 195), and could not plead in defense an interest in the town (Swartout vs. Mechanics Bank of New York, 5 Denio, 555).

When a check in the form justified by the contract between the parties is presented by a depositor of trust money, the debtor owes no duty in behalf of the beneficiary to scrutinize the demand, or to be circumspect, lest its customer is betraying his trust. Goodwin vs. American National Bank, 48 Conn. 550, 567. Its solicitude should be to pay the debt to or upon the proper order of the person to whom it is owing, but not to suspect its customer's integrity or to guard against his doing wrong. Lowndes vs. City National Bank, 82 Conn. 8, 72; Duckett vs. Mechanics Bank, 86 Md. 400. The duty of a bank touching a trust fund and its duty to be apprehensive for the conduct of its depositor is discussed in Eyrich vs. Capital State Bank, 67 Miss. 60; Munnerlyn vs. August Savings Bank, 88 Ga. 333; Brookhouse vs. Union Publishing Co., 73 N. H. 368; Morse on Banks and Banking, section 317. But I gather that, in the absence of knowledge to the contrary, a bank is free to accept its depositor as honest in his purposed use of the money of which by check he demands payment. Freeholders of Essex vs. Newark National Bank, 48 N. J. Eq. 53; National Bank vs. Insurance Co., 104 U. S. 54.

In view of such attitude of the depositary to its depositor, although a trustee, and to the trust, it cannot be said that, when Merritt, supervisor, presented a check payable to his own order, the debtor should at its peril hold its creditor, interrogate him as to his purpose, or perchance suspend payment pending investigation. In Lowndes vs. National Bank, 82 Conn. 8, 72 Atl. 150, the court, after attaching liability to the bank for devastavit of an account of trust moneys, was painstaking to state:

"This is not to say that a bank undertakes to supervise and safeguard a trust account therein, or comes under the duty of looking after the appropriation of such funds when withdrawn. Such is not the law."

And it decided that a check drawn on trust funds by "Layton, administrator, to Layton individually, was not irregular upon its face."

In Havana Central R. Co. vs. Central Trust Co., 204 Fed. 546, the decision

was that, where the treasurer of the plaintiff drew a check signed, "Havana Central Railroad Company, C. W. Van Voorhis, Treasurer," to his order as an individual, as other checks had been drawn before, the bank was authorized to pay it without questioning it. There an agent drew a check in his own favor, not on an account opened by him, but against the account of his principal, and even if the Court of Appeals in an action by the same plaintiff against the Knickerbocker Trust Company (198 N. Y. 422), did suggest another view, it must be kept in mind that in the action at bar the depositor was drawing against his own account, and no question of authority from the depositor is involved.

In Allen vs. Puritan Trust Co., 211 Mass., 409, one Baker drew a large number of checks to his own order against an account kept by him under the name "Estate of Albert H. Baker, Wm. L. Baker, Administrator," whereby he met overdrafts to his credit in his personal account, and later the bank carried other checks to his credit in his personal account, whereupon he withdrew and misappropriated the money. It was found that as to the first class of checks the bank was liable, as it participated in the breach of trust, but that as to the second group it was not liable. The opinion states (p. 422 of 211 Mass.):

"The principle governing the defendant's liability is that a banker, who knows that a fund on deposit with him is a trust fund, cannot appropriate that fund for his private benefit, or, where charged with notice of the conversion, joins in assisting others to appropriate it for their private benefit, without being liable to refund the money, if the appropriation is a breach of the trust."

It is true that the decision as to the later checks was based on the master's finding that the circumstances begot suspicion, but did not inform the depositary of the purpose to misappropriate. However, it is noticeable that the depositor had drawn from the trust account to replenish his personal account to meet overdrafts during a period of two years. It illustrates how far the court would carry the rule that a banker is not bound to supervise the disposition of trust moneys drawn by a depositor in form indicating personal use.

In Gray vs. Johnston, L. R. 3 H. L. 1, Johnston, of Johnston & Mayston, died, and his widow and executrix formed a new firm under the name of Johnston & Mayston. The first firm had an account in the name of Johnston with bankers who carried an overdraft on the security of policies on Johnston's life, and from the avails of which the indebtedness was met and the surplus carried to the old account, but through the check of the executrix it was transferred to the account of the new firm and used by it. It was decided that the bankers were not liable to Johnston's estate for such money. Cairns, L. Ch., said:

"In order to hold a banker justified in refusing to pay a demand of his customer, the customer being an executor, and drawing a check as an executor, there must, in the first place, be some misapplication, some breach of trust, intended by the executor; and there must be, in the second place, as was said by Sir John Leach, in the well-known case of Keane vs. Roberts, 4 Madd. 332, be proof that the bankers are privy to the intent to make this misapplication of the trust funds."

Lord Westbury states clearly the principle:

"A banker is bound to honor an order of his customer with respect to the money belonging to that customer which is in the hands of the banker; and it is impossible for the banker to set up a *jus tertii* against the order of the customer, or to refuse to honor his draft on any other ground than some sufficient one, resulting from an act of the customer himself. Supposing, therefore, that the banker becomes incidentally aware that the customer, being in a fiduciary or a representative capacity, meditates a breach of trust, and draws a check for that purpose, the banker, not being interested in the transaction, has no right to refuse the payment of the

check, for if he did so he would be making himself a party to an inquiry as between his customer and third persons. He would be setting up a supposed *jus tertii* as a reason why he should not perform his own distinct obligation to his customer. But then it has been very well settled that if an executor or a trustee, who is indebted to a banker, or to another person, having the legal custody of the assets of a trust estate, applies a portion of them in payment of his own debt to the individual having that custody, the individual receiving the debt has at once not only abundant proof of the breach of trust, but participates in it for his own personal benefit."

In this connection may be noticed Interstate Nat. Bank vs. Claxton, 97 Tex. 569, where it is said:

"From these authorities it is clear that a depositor, although holding money in a fiduciary capacity, may draw it out of the bank *ad libitum.* The bank is bound to honor his checks, and incurs no liability in so doing, as long as it does not participate in any misapplication of funds or breach of trust. The mere payment of the money to, or upon the checks of, the depositor, does not constitute a participation in an actual or intended misappropriation by the fiduciary, although his conduct or course of dealing may bring to the notice of the bank circumstances which would enable it to know that he is violating his trust. Such circumstances do not impose upon the bank the duty, or give it the right, to institute an inquiry into the conduct of its customer, in order to protect those for whom it may hold the fund, but between whom and the bank there is no privity."

In Goodwin vs. American National Bank, 48 Conn. 550, a person having an account as town treasurer, a private account, and also an account as treasurer of an estate, pledged stock belonging to the estate as security for his note as executor, and deposited the proceeds to his private account, and later his check drawn upon it, in favor of a third person, was paid, and also $7,321 transferred to his treasurer's account. After some years he became a fugitive, in default as executor and treasurer. The administrator sought an equity to reach the stock. It was decided that the bank was under no obligation to see to the application of the proceeds of the note, so long as it had no knowledge of the depositor's fraudulent intent, and that the bank was not charged with knowledge that a depositor was committing a fraud, nor was duty of inquiry imposed upon it simply because he drew upon a trust account checks payable to himself, or transferred funds from a trust account to a private account. It was said:

"And a check, drawn either individually or officially, payable to order or bearer, is so nearly the equal of currency in case of transfer, and performs so many offices of payment between individuals and executors, between the latter and trustees, and between these again and individuals, without giving any evidence, when presented, either of the number of character of the transactions of which it has been made a part, or of the payments which it has effected, that the law will not charge the officers of a bank with knowledge that a depositor has committed a fraud, nor impose upon them the duty of inquiry, because he has drawn upon a treasurer's account checks payable to himself or to bearer, or has transferred money from it to his own and from his own to it. They are not required to assume the hazard of correctly reading in each check the purpose of the drawer." 48 Conn. 567.

In Newburyport vs. Spear, 204 Mass. 146, the plaintiff's treasurer drew checks on the depositary and used them to pay his personal debts, and the action was maintained against the person receiving the checks, and in that respect was like Newman vs. Newman, 100 App. Div. 331; but the question arose as to the liability of the bank because an ordinance provided that "no money shall be drawn out of the city treasury, except on the written order of the mayor, addressed to the city treasurer, and countersigned by the city clerk," and also because the checks were pay-

able to the order of the city treasurer and indorsed by him. The court regarded the first ground untenable, upon the construction that the ordinance was a regulation of the conduct of the treasurer in making payments from the treasury, and not of the form of the check used for the purpose. It was also decided that the form of the check did not impute notice to the bank.

I also refer to Wickenheiser vs. Colonial Bank, 168 App. Div. 329, so far as it decided that a bank of deposit was justified in issuing to the executor of a depositor a passbook in his own name, instead of paying over to him the actual cash, which in principle receives support from authorities to which it is not necessary to refer.

Batchelder vs. Central National Bank, 188 Mass. 25, is allied remotely to the question under discussion, but I note that it decided that the mere fact that a trustee deposits a check payable to him as trustee in his personal account at a bank, where he has no account as trustee, gives the bank no reason to believe that the trustee is acting dishonestly, and, if the trustee fails to account for the proceeds of the check, the beneficiary has no remedy against the bank. The case perhaps falls under a class of cases that I have cited only to exclude from discussion. A very similar decision is Safe Deposit & Trust Co. vs. Bank, 194 Pa. 334. I conclude that the check was proper in form and innocent in appearance.

Nor did the multiplicity or checks bring into view vicious intention on the part of the depositor, of which the depositary should have taken notice. In principle it is immaterial whether one or many checks were drawn to the depositor's order. The form was proper, whether it was used for one or all. When would the notice begin to take effect, if at all? After ten, or twenty, or what larger number of checks, had been drawn? A form of check appropriate and strictly conforming to the contract does not by repeated use take a sinister appearance. Beyond that, what was the custom of disbursement? Amongst how many checks were those in question presented through the several years, and under what circumstances? All such things would bear upon the provocation of even suspicion. The complaint shows that the parties arranged that "checks or drafts might be drawn for town purposes upon said funds of plaintiff on deposit." Assuming that arrangement means agreement, it was made between the depositor and the bank, and the plaintiff was not privy to it, and while I must assume from the complaint that it was made, however otherwise improbable, it does no more than emphasize the recognized fact that the bank was informed of the source and purposed use of the moneys. They, who made the compact, could unmake it.

Since writing the above, attention has been called to the decision of Bischoff vs. Yorkville Bank by the Court of Appeals, modifying a decision of the Appellate Division (170 App. Div. 679, 156 N. Y. Supp. 563), (Bankers Magazine for October). The opinion is instructive upon the question of the participation of a bank in the misappropriation of funds by a depositor, but there is no expression that impairs the result here reached.

The interlocutory judgment should be reversed, and the demurrer sustained, with costs, with leaves to plead over within twenty days upon payment of costs. All concur. 159 N. Y. Supp. 289.

Legal Tender

Connecticut

Landlord and Tenant—Payment of Rent by Check.

Supreme Court of Errors, Connecticut, June 2, 1916

BURRITT VS. LUNNY

Where a tenant in good faith attempted to make payments of rent by check as was his custom, and landlord refused the check, requiring payment in "money," a tender thereafter of the rent in currency was suffi-

cient, although not technically legal tender under the United States statute.

Where delay in paying rent is due to acts of the landlord, the tenant is excused. (97 At. Rep.)

ACTION of summary process by Harriet M. Burritt against H. Thomas F. Lunny. Defendant filed an answer and a special defense, to certain portions of which plaintiff demurred. Plaintiff also made a motion to strike out and a motion to separate. The demurrer was overruled, and the motions denied. Plaintiff refused to plead over, and judgment was rendered for defendant, and plaintiff brought a writ of error. No error.

STATEMENT OF FACT AND OPINION

RORABACK, J.: The plaintiff in a summary process proceedings alleges these facts: On December 16, 1913, the defendant entered into the possession of the premises in question under a written lease from the plaintiff and Thomas F. Lunny. "Said lessee failed and neglected to pay the rent which became due and payable on the first day of February, 1916, nor has he since paid the same or any part thereof. Ten days have elapsed since said rent became due as aforesaid; said lease has, by virtue of the express stipulation therein contained, expired and terminated. Said lessee still neglects and refuses to quit possession of said premises to the complainant and still holds possession thereof. Said lessee in said lease waived all right or notice to quit possession." The defendant denied that the lease referred to in the complaint was a copy of the original, that he had failed to pay the rent, and that the lease had expired and terminated. A second defense read as follows:

"(1) For many years prior to December, 1913, the defendant was a tenant of said Harriet M. Burritt, and leased and occupied the premises described in said complaint.

"(2) At and during all of the time mentioned, prior to said December, 1913, the defendant paid the rent as agreed for said leased premises to said Harriet M. Burritt, by check of the defendant each month, and it was the custom between the defendant and said Harriet M. Burrit for the defendant to pay and for the said Harriet M. Burritt to receive said check each month in payment of said rent. The defendant's said check was actually so received and accepted by said Harriet M. Burritt as payment during each and every month for many years prior to said December, 1913.

"(3) At the time the lease, dated December 16, 1913, was made between H. T. F. Lunny and Harriet M. Burritt it was impliedly understood and agreed between the defendant and said Harriet M. Burritt that the defendant should continue to pay his monthly rent under the said lease, by defendant's check.

"(4) Upon the beginning of the new term as expressed in said lease, the defendant did so pay his monthly rent by defendant's check, the defendant continued to pay said Harriet M. Burritt, and the said Harriet M. Burritt accepted and received from defendant's check each and every month from December, 1913, to January, 1916, inclusive.

"(5) On the seventh day of February, 1916, the defendant tendered his check for the sum of $125, the same being the amount of rent in advance due to March 1, 1916. Said tender was made to N. R. Bronson, Esq., as agent of Harriet M. Burritt, but said agent refused to accept said check and return the same to the defendant."

The third defense made all the paragraphs of the second defense a part of this defense. The third defense also averred that:

"At the time said agent returned said check to the defendant, the said agent, N. R. Bronson, Esq., demanded that defendant pay said rent in 'money.'

"(7) Thereafter, on the eighth day of

February, 1916, the defendant, acting by his attorney, Frank P. McEvoy, tendered to said N. R. Bronson, Esq., as agent of said Harriet M. Burritt, the sum of $125 in money, to wit, twelve $10 bills and one $5 bill, of United States currency, as payment of said rent.

"(8) Said N. R. Bronson, Esq., as agent, refused to accept said money.

"(9) The defendant then was, ever since has been, and still is, ready and willing to pay said rent, to wit, $125, to said Harriet M. Burritt, or to said N. R. Bronson, as agent."

It was also further alleged in a fourth defense that:

"All the paragraphs of the third defense are made corresponding paragraphs as part of this defense.

"(10) On the twenty-third day of February, 1916, the defendant, acting therein by his attorney, Frank P. McEvoy, tendered to said N. R. Bronson, Esq., as agent of the said Harriet M. Burritt, in United States treasury notes, the sum of $125 due for rent, also interest and costs of this action up to the present time.

"(11) The defendant, now in court, tenders the whole amount due to said Harriet M. Burritt for the rent of said premises and interest, and costs of this action up to the present time, and leaves the said amount in the hands of the clerk of this court, as a continuance of said tender."

The plaintiff's motion to strike out so much of the second defense as was made part of the third defense was properly denied. The facts referred to in the motion were relevant and material in connection with the other averments set forth in the third defense as tending to show that the defendant was ready, willing, and in good faith attempted to pay his rent when it became due. These averments also show the reason why the defendant departed from the implied agreement which existed as to the payment of rent and why he was induced to make a different payment than the one that he had been accustomed to make.

The motion to separate was based upon the same grounds urged in the demurrer to the third defense and the motion to strike out. "Wherever it is not clear that there was no reasonable ground for inserting such allegations, they should be allowed to stand, and the party permitted to put his case before the court in his own way, rather than in that which his antagonist might prefer." Freeman's Appeal, 71 Conn. 714, 43 Atl. 185. The motion is to be denied, if to grant it would weaken the defense as regards demurrer. Frisbie, Adm'r. vs. Preston et al., 67 Conn. 452, 35 Atl. 278.

The third defense was demurred to because the alleged tender was insufficient, because the tender of the bills of United States currency did not comply with the law, and for the further reason that the willingness of the defendant to pay the rent, as alleged, was irrelevant and immaterial. It appears from the conceded facts that the defendant attempted to make payments of the rent by check in good faith and in pursuance of an implied agreement and custom then existing between him and the plaintiff. The demurrer also admits that when this payment by check was attempted it was refused by the plaintiff's attorney, who then "demanded that the defendant should pay said rent in 'money.'" It appears that this demand was fairly met when the defendant tendered $125 in bills of the currency of the United States. We have no concern with the plaintiff's contention, now made, that the tender should have met the technical requirements of the United States statute relating to legal tender. The plaintiff, when payment by check was refused, demanded that the rent should be paid in money. This the defendant attempted to do. It may also be observed that:

"Bank notes constitute a part of the currency of the country, and ordinarily pass for money, and a contract will, in the absence of proof to the contrary, be presumed to have been with reference to the currency in which business is usually transacted." Taylor's Landlord and Tenant, vol. 1, p. 498.

While it is true that the date of the

tender of the "money" was after the expiration of the ten-day period of the lease, yet the facts show that this delay should be excused by the acts of the plaintiff.

In view of what we have already said as to the third defense, it is not necessary to further consider the demurrer which also attacks two paragraphs of the fourth defense. If either of these defenses demurred to were sufficient the judgment of the lower court for the defendant must be sustained. Beckerle vs. Danbury, 80 Conn. 126, 67. Atl. 371. As we have already indicated, the judgment of the court below could have been properly rendered upon the facts set forth in the third defense.

There is no error. The other judges concurred.

97 Atl. Rep. 756.

Liability for Acts of Cashier

TENNESSEE

A BANK and its receiver in insolvency are bound by the act of its cashier in issuing drafts and by the admission of value received contained in such drafts, in absence of proof that the payee had actual or constructive knowledge of the fraud of the cashier, or the falsity of such admission.

A cashier has no implied authority to draw drafts in his own favor or in favor of a creditor in payment of individual debts, and the payee of such drafts is put on notice of the facts, is not an innocent holder, and may be compelled to account to the bank for the amount.

The payee of a draft, knowing that the cashier of the bank of issue was interested in the firm for whose debt the draft issued, and was secondarily liable for such debt, but believing the debtor firm to be solvent, is not charged with notice that the draft was issued through fraud of the cashier, or that the bank received no consideration therefor, and such payee cannot be compelled to reimburse the bank.

A bank may not hold its officers as worthy of confidence, and yet reap profits from frauds which they are thereby enabled to perpetrate.

Pemiscot County Bank vs. Wilson-Ward Co. (Supreme Court of Tennessee. June 10, 1916.)

Certification and Acceptance

NEBRASKA

A CHECK upon a bank does not of itself operate as an assignment of the funds of the drawer. It is the acceptance or certification of the check by the bank on which it is drawn that operates as a transfer of the funds.

The bank upon which a check is drawn is not liable to the holder of the check "unless and until it accepts or certifies the check," and such acceptance or certification must be in writing.

The bank upon which a check is drawn will not become liable in equity to the holder thereof by stating orally to such holder that the check is good and will be paid on presentation, in the absence of fraud or deception on its part.

Superior Nat. Bank vs. National Bank of Commerce. (Supreme Court of Nebraska. May 13, 1916.)

MANUFACTURERS NATIONAL BANK BUILDING, LEWISTON, ME.

Modern Financial Institutions and Their Equipment

Manufacturers National Bank Lewiston, Me.

THE enterprise and progressive spirit of a city are usually to be judged by condition of its banks and the manner in which they meet the needs of the community. This is true of the growing city of Lewiston, Me., where its leading commercial banking institution, the Manufacturers National Bank, has provided in the new building recently erected, facilities for its customers adequate for many years to come.

It was the growing needs of a manufacturing community, with its rapidly expanding textile industry, which led to the organization of the bank back in 1875. The original promoters were all men of influence and standing, and prominent in the industries and activities of this locality.

The capital stock was placed at $200,-000, directors and officers were elected early in the year and business began

WILLIAM H. NEWELL
PRESIDENT, MANUFACTURERS NATIONAL BANK, LEWISTON, ME.

H. W. RICKER
VICE-PRESIDENT, MANUFACTURERS NATIONAL BANK, LEWISTON, ME.

in modest quarters on the second floor of one of the business buildings of the town.

These quarters were outgrown in 1882, when the city had attained a population of about 20,000. A move was made to ground floor quarters, which with alterations and improvements from time to time were occupied until the completion of the present building and its handsome banking rooms.

J. M. Robbins was the first president of the bank, and he was succeeded by the present president, Judge William H. Newell, there having been but two presidents in the whole course of the bank's history. There have been five vice-presidents and four cashiers.

The new building, which is located on the prominent corner of Lisbon and Ash streets, is a substantial, fire-proof structure, seven stories in height, the first -o of Indiana limestone and the walls upper stories faced with gray brick. The design of the building is simple and dignified and the architects, Hutchins & French, of Boston, have provided, with a lot somewhat restricted in size, a most convenient banking floor, with an arrangement entirely suited to the requirements of the bank and the public.

Entering the banking rooms, the president's office is in front, communicating directly with the cashier's quarters, which are in convenient touch with the public space and with the working quarters of the bank. The cashier's space is separated only by a marble counter. The public space is of ample proportions, with marble floors and wainscot and the inclusion of a portion of the mezzanine floor in the lobby gives this space a fine air of spaciousness and comfort.

At the rear of the main banking room is the entrance to the safe deposit vault and the coupon rooms. The vault is one

of the best in the state and the facilities for safe deposit service, including the storage of larger and more bulky articles in the basement, are of the best. A stairway leads to a directors' room on the mezzanine floor, with a smaller committee room in connection, provided with all facilities for the comfort and convenience of the board.

The design and finish of the public and private rooms in the bank are of the best and no expense has been spared by the building committee, headed by Vice-president Hiram W. Ricker, to provide a building which will endure for years to come.

The public response to the enterprise of the bank officials was immediate and new business, which has always been fostered and welcomed by the bank has come in in abundance. On the day of removal to the new building, Dec. 24, 1914, the deposits were $1,084,000 and total assets $1,588,000. On the date of the last call of the comptroller, the deposits stood at $2,061,000 and the assets at $2,580,000.

President Newell, who has held that

E. E. PARKER
CASHIER, MANUFACTURERS NATIONAL BANK, LEWISTON, ME.

MAIN BANKING ROOM—MANUFACTURERS NATIONAL BANK, LEWISTON, ME.

MAIN BANKING ROOM, WITH LADIES' ROOM ON RIGHT—MANUFACTURERS NATIONAL BANK, LEWISTON, ME.

DIRECTORS' ROOM—MANUFACTURERS NATIONAL BANK, LEWISTON, ME.

office since 1899, is an ex-judge of the probate court and a lawyer of large practice. Few men in Maine are more highly or more properly esteemed for intellectual capacity, business integrity and sound financial foresight than Judge Newell. He has been a believer in the policy of the bank to seek new customers, increase its deposits, extend its area of influence and in general push the progressive policy of its affairs.

Vice-president Hiram W. Ricker is known all over the country as one of the celebrated Ricker family, which has made such a success of Poland water and the hotels at Poland Springs.

Mr. Parker became cashier in 1910, bringing to the office a capacity for organization and the efficient handling of business, which with the co-operation of the directors has brought the bank to its present high plane of strength and usefulness. When he came to the bank it had less than 1,000 accounts and a surplus of $40,000. Now the number of accounts has risen to more than 8,000 and the surplus to over $100,000. Then the total deposits were $540,000 and now they have almost quadrupled.

The board of directors include such well-known names locally as those of James E. Coburn, Henry B. Estes, Melvin J. Googin, Fred D. Gordon, Francois X. Marcotte, Horace E. Munroe, William D. Pennell, Fred A. Perry, Walter E. Plummer, Ernest Saunders, David S. Waite and Charles C. Wilson.

To make this bank one of personal individual service to its patrons has been the constant aim of the management and that it has succeeded has been demonstrated by its growth and prosperity.

To Help Rehabilitate France

NOBLE FOSTER HOGGSON
PRESIDENT HOGGSON BROTHERS, NEW YORK

NOBLE FOSTER HOGGSON, the noted New York builder, president of Hoggson Brothers, is now in Europe as a member of the American Industrial Commission to France. The commission is engaged in making a survey of the devastated section of France, to determine what America can do towards the rehabilitation of her sister republic.

Mr. Hoggson is making a particular study of the question of industrial housing, town planning, the need for factories and other commercial structures, not only as to their planning and construction, but also as to their equipment,

Bankers to Study Check Collections

P. W. GOEBEL, president of the Commercial National Bank of Kansas City, who was recently elected president of the American Bankers Association, has announced the committee of twenty-five appointed to study and report upon the Federal Reserve Board's check collection system. Nathan Adams, vice-president of the American Exchange National Bank, has been designated as the temporary chairman, and Jerome Thralls, secretary of the national bank and clearing house sections of the American Bankers Association, has been selected as the temporary secretary.

This committee consists of fifteen country bankers and ten officers of banks located in reserve cities. The names of the committee follow:

Representing Country Banks—F. E. Lyford, president First National Bank, Waverly, N. Y.; Walker Broach, vice-president First National Bank, Meridian, Miss.; J. D. Norwood, cashier Commercial National Bank, Demopolis, Ala.; F. T. Hardwick, president C. L. Hardwick & Co., Dalton, Ga.; A. F. Dawson, president First National Bank, Davenport, Iowa; B. C. Powell, cashier Merchants & Planters Bank, Camden, Ark.; Fred Collins, cashier Milan Banking Co., Milan, Tenn.; Jas. B. Lamberton, cashier Sioux Falls Savings Bank, Sioux Falls, S. D.; Harry M. Rubey, president Rubey National Bank, Golden, Colo.; M. J. Dowling, president Olivia State Bank, Olivia, Minn.; O. H. Wulfekuhler, president Wulfekuhler State Bank, Leavenworth, Kan.; C. A. McCloud, president First National Bank, York, Neb.; H. D. Marshall, cashier Phoenix National Bank, Phoenix, Ariz.; W. P. Sharer, president First National Bank, Zanesville, Ohio; E. Kirby Smith, president Commercial National Bank, Shreveport, La.

Representing Reserve City Banks—Joseph Wayne, Jr., president Girard National Bank, Philadelphia, Pa.; Geo. G. Moore, cashier New England National Bank, Kansas City, Mo.; J. A. Lewis, cashier National Bank of Commerce, St. Louis, Mo.; W. T. Fenton, vice-president National Bank of Republic, Chicago, Ill.; W. H. Bucholz, vice-president Omaha National Bank, Omaha, Neb.; W. D. Vincent, vice-president Old National Bank, Spokane, Wash.; Joseph Chapman, vice-president Northwestern National Bank, Minneapolis, Minn.; Thomas B. McAdams, vice-president Merchants National Bank, Richmond, Va.; Raymond B. Cox, vice-president Webster & Atlas National Bank, Boston, Mass.; Nathan Adams, vice-president American Exchange National Bank, Dallas, Tex.

The resolutions calling for the appointment of the committee were unanimously adopted at the Kansas City convention. It reads:

Whereas, The purposes of the Federal Reserve Act are to mobolize the reserves and to unify the national banking system, thereby providing an elastic currency and a system of rediscounting, and

Whereas, The Act has in it the possibilities of preventing the suspension of cash payments by banks, thereby making the country safe from currency panics, and

Whereas, Section 16 of said Act providing for the so-called par collection of checks is not a feature necessary to the attainment of the objects sought by the Federal Reserve Act, and the system of collecting checks now in operation under the law, as interpreted and applied by the Federal Reserve Board, works serious hardships upon and heavy losses to thousands of country banks, and

Whereas, It is the belief of the majority of bankers that Congress did not intend to deprive the banks of legitimate profit, therefore, be it

Resolved, That the American Bankers Association, while approving the fundamental principles of the Federal Reserve Act and expressing loyalty to the Federal Reserve System, protests against the provisions of the Act relating to the collection of checks, and instructs the committee on Federal legislation of the American Bankers Association to endeavor to secure amendments to the Federal Reserve Act, providing for the establishment of a collection system which is fair and equitable to all banks and to the general public. Be it further

Resolved, That the president of the American Bankers Association be authorized and directed to appoint a committee of twenty-five bankers, fifteen of whom shall be country bankers and ten of whom shall be reserve city bankers, and that this committee co-operate with the committee on Federal legislation of the American Bankers Association in bringing about the enactment of the desired amendment.

The committee appointed by President Goebel does not only represent all

classes and sizes of banks—six of the members are officers of state institutions—but it is representative of all sections of the country. Some of the bankers named are known to entertain decided views on the subject of check collections, but various shades of opinion are said to be included.

It is understood that the committee proposes to make a careful study of the whole subject in an impartial way, and that after all the facts and statistical data are gathered, to formulate a programme of action, which will most likely take the form of amendments to the Federal Reserve Act. The committee expects to confer with members of the Reserve Board and to come to some understanding on the subject. In the event that the committee can convince the authorities that the act, as it now stands, works an injustice to a large number of banks, it is believed that the Board (and perhaps the Comptroller of the Currency) will aid the bankers in securing remedial legislation.

It has been pointed out that while a great many papers and pamphlets dealing with the subject of collections have been printed and many speeches delivered, many of those who have taken upon themselves to discuss the matter have lacked information and consequently a great many misstatements have been given wide circulation, with the effect that bankers and others who have consumed the misleading information entertain erroneous or biased views, which, it is hoped, will be somewhat altered if the public is placed in possession of all the facts. One of the principal efforts of the committee will be directed to the compilation of the facts in a presentable and readable form.

Profit-Sharing Plan of the Equitable Trust Company

AS the year-end approaches it is interesting to recall the profit-sharing plan which was adopted last December by the trustees of the Equitable Trust Company. This plan was drawn up as a substitute for the customary year-end distribution of extra compensation to the officers and employees of the company, and was adopted experimentally for the year 1916.

The plan provides for a system of distribution of such extra compensation based upon: (a) A percentage of the amount of the net earnings of the company; (b) The respective salaries of the officers and clerical employees; (c) The respective length of service of officers and clerical employees.

The fund to be distributed each year is derived from a certain percentage of the net earnings of the company in excess of twenty-four per cent. of the $3,000,000 of capital stock. The salary of each officer and clerical employee is taken as the basis for arriving at the amount of his or her share of the fund. The amount distributed in each case is also modified by whether the officer or employee has been with the company three, six or ten or more years. The distribution last year gave those in the employ of the company for more than ten years approximately twenty per cent. of their salaries.

The details of the plan are contained in a pamphlet issued by the Trust Company, and bankers who are interested in profit-sharing schemes would do well to send for this booklet and study its provisions.

Condition of the National Banks

Statement by the Comptroller of the Currency

THE reports of condition of the national banks of the United States at the call of May 1, 1916, showed that these banks had on that date the largest deposits and the largest resources ever shown in the history of the system.

The preliminary figures for the fifty-five Reserve cities of the country and from the country banks of several states indicate that the national banks on September 1, 1916, have again broken all previous records in the matter of deposits and resources.

An analysis of the reports of the fifty-five Reserve and central Reserve cities reveals the effect of the Federal Reserve Act in distributing more widely the money of the country, and in preventing its consolidation and congestion in a few centers.

These premiminary figures tell us that as compared with May 1, the deposits on September 12 in several great centers show a material reduction, while in nearly every other reserve city throughout the country, and conspicuously in country banks, there has been a large increase in deposits. They show that the only Reserve cities in which there was a decline of as much as a million dollars in deposits, were New York city, with a reduction of 222 million dollars. Boston, 36 million; Philadelphia, 13 million; St. Louis, 3½ million; Minneapolis, 3 million, and St. Paul, 2½ million.

The reserve cities where an increase in deposits of two millions or more were shown for September 12 as compared with the call of May 1, 1916, were: San Francisco, 35½ millions; Kansas City, Mo., 23.7 millions; Pittsburgh, 21 million; Cleveland, 18 million; Omaha, 14½ million; Houston, 8 million; Chicago, 7.3 million; Indianapolis and Columbus, 7 million each; Denver, 6.7 million; Los Angeles, 6½ million; Milwaukee, 5.7 million; Cincinnati, Richmond and Wichita, 5 million each; St. Joseph, 4½ million; Baltimore, 3½ million; Dallas and San Antonio, 3 million each; Detroit, 2.8 million; Seattle and Lincoln, 2.7 million each; Atlanta, Washington and Oklahoma City, 2 million. Those showing increases in deposits ranking between one million and two million were Fort Worth, Birmingham, Waco, Kansas City, Kan., and Portland.

In each of the other Reserve cities not shown in this list the changes in deposits, whether increases or decreases, amounted to less than a million dollars.

The withdrawal or transfer of deposits from New York, Boston, Philadelphia and St. Louis has in no way interfered with the healthy growth and business activity of those cities, and money is still being loaned in them on terms quite as favorable, if not more favorable, than ever known before.

The unprecedented accumulations of funds and banking credits in the other cities and towns throughout the country, and especially in the country banks is significant, and is imparting a business confidence and a degree of security, stability and optimism throughout the length and breadth of the United States which has rarely been experienced by any country.

The preliminary reports just compiled for ten states indicate increases in the deposits of the country banks of these states, exclusive of the deposits of the national banks in Reserve cities of the same states, as follows: Ohio, 26 million; Texas, 20 million; Kansas, 12 million; Indiana, 11 million; Massachusetts and Connecticut, 10 million each; Georgia, 7 million; Ne-

braska, $5\frac{1}{2}$ million; Washington, 4 million; New Hampshire, $3\frac{1}{2}$ million. Total increases in country banks, ten states, 109 million dollars.

The increase for the same period in deposits of the national banks in twenty of the twenty-one Reserve cities in these same ten states was 84 million dollars; reduction in one Reserve city (Boston), 36 million.

Total increase in deposits in national banks of the ten states named, 193 million dollars, less the reduction in Boston of 36 million.

Investment Bankers Meet at Cincinnati

THE Fifth Annual Convention of the Investment Bankers Association of America was held at Cincinnati on October 2, 3 and 4.

An insistence on proper protection of the capital invested in railroads and an appeal that railroad mortgages be surrounded with such safeguards that they may hold their place among the prime investments was made by the committee on railroad bonds.

"We must endeavor to turn public sentiment from its attitude of antagonism to one of fair play to the railroads," says this report. "We must use our efforts to prevent that kind of financial mismanagement which has resulted in disaster to some of our best systems and which to-day, more than any other one thing, prevents the recognition of the just needs of the railroads."

The convention went on record as favoring the taking up in an active manner of the question of the deposit of legal opinions accompanying municipal bonds and the filing of these with a central office under the control of the association.

Lewis B. Franklin, of New York, was re-elected president of the association, while Frederick R. Fenton, of Chicago, and J. Sheppard Smith, of St. Louis, were re-elected secretary and treasurer, respectively. Vice presidents: Allen G. Hoyt, New York; John E. Blunt, Jr., Chicago; Barrett Wendell, Jr., Boston; H. P. Wright, Kansas City, Mo.; William G. Baker, Baltimore.

Board of governors: Daniel K. Drake, Los Angeles; Edwin White, St. Paul; James N. Wright, Denver; John W. Hallowell, Boston; Stacey C. Richmond, New York; Howard F. Beebee, New York; Lewis J. Parsons, Philadelphia; William G. Lerchen, Detroit; Charles H. Gilman, Portland, Me., and David A. Edgar, Milwaukee.

Baltimore was the selection of the next convention in 1917, but this must be confirmed by the board of governors at their next meeting.

At the banquet the delegates heard an address by United States Senator Robert L. Owen, of Oklahoma, on "The Federal Reserve Act and Its Relation to Investment Banking."

The Clover Pasture

IN the October number of the "Guaranty News" appears an interesting sketch of lower New York, entitled "Historic Ground." Referring to the company's own location, it is said:

"The Guaranty's building stands on a site which in the distant past was known as the Clover Pasture."

Judging from the fact that the company is at present growing at the rate of over one hundred million dollars a year, one may conclude that it is still "in clover."

New British Loan Announced

J. P. MORGAN & COMPANY have announced the terms of the new three and five-year British notes which are to be offered for public subscription. The amount will be $300,000,000, half to run from three years from November 1; the other half for five years. A wide variety of collateral is to be deposited, only $100,000,000 of American Stock Exchange securities being included, and in this latter amount will be comprised Canadian Pacific stocks and bonds.

The three-year notes are to be offered at 99¼ and interest to yield 5¾ per cent., while the five-year notes will be offered at 98½ and will net 5.8 per cent. The value of the collateral is estimated at $360,000,000, thus giving $60,000,000 margin over the issue price. The loan agreement provides that the British Government may from time to time sell for each any of the pledged securities. In that event the proceeds shall be received by the trust company and be applied to the retirement of notes by purchase, if obtainable at or below the then redemption price; otherwise by redemption by lot at such redemption price.

It also is provided that if the collateral shall decrease in value because of either a change in market price or in the rate of exchange so that the twenty per cent. margin shall become impaired, the Government will deposit additional securities, agreeing that at all times the value of the securities held as collateral shall be at least 120 per cent. of the face amount of the loan. Provision also is made fo■ the withdrawal of a proportionate amount of the collateral upon the retirement of the three-year notes and for substitutions of collateral from time to time, subject to the approval of J. P. Morgan & Co. Such withdrawals and substitutions, however, are not to vary substantially the relative amount in value of the two groups of collateral at the time held by the trust company.

THE COLLATERAL

THE securities pledged as collateral are divided into two groups as follows:

Group 1—Stocks, bonds and other securities of American corporations, including the Canadian Pacific Railway Co., and bonds and other obligations of the Dominion of Canada, colony of Newfoundland or Provinces of the Dominion of Canada and approved Canadian municipalities aggregating not less than $180,000,000. Of these there will be somewhat over $100,000,000 in value in the securities of corporations of the United States and of the Canadian Pacific Railway Co.

Group 2—Bonds and other obligations of the Commonwealth of Australia, Union of South Africa, New Zealand, Argentina, Chile, Cuba, Japan, Egypt and India and approximately $25,000,000 bonds or other obligations of dividend paying British railways aggregating $180,000,000, making the total mentioned above.

The notes are dated November 1, 1916, and mature $150,000,000 November 1, 1919, and $150,000,000 November 1, 1921. Each maturity is to be subject to redemption in whole or in part at the option of the Government at a premium of one per cent. for each year (or any part) of unexpired life of such maturity.

Both principal and interest are to be payable without deductions for any British taxes, present or future, and are to be payable either in New York in United States gold coin or at the option of the holder in London in sterling at

the fixed rate of exchange of 4.86½ to the pound. The securities placed back of the loan are to be deposited with the Guaranty Trust Co. of New York. Pending the arrival or delivery of a portion of such securities, the Government is to deposit temporarily with the trust company either approved New York Stock Exchange collateral or cash or both under appropriate provisions for withdrawals of such temporary deposits to be contained in the pledged agreement.

UNDERWRITING SYNDICATE

THE underwriting syndicate comprises the following banks and bankers besides J. P. Morgan & Co.: The First National Bank, National City Bank, Harris, Forbes & Co., Brown Bros. & Co., J. & W. Seligman & Co., William A. Read & Co., Kidder, Peabody & Co., Lazard Freres, Lee, Higginson & Co., Kissel, Kinnicutt & Co., White, Weld & Co., Guaranty Trust Co., Bankers Trust Co., Farmers Loan and Trust Co., Central Trust Co. of Illinois, Union Trust Co. of Pittsburgh, and the First and Old Detroit National Bank of Detroit.

The syndicate is to expire December 1, 1916, unless sooner terminated by the syndicate managers. No arrangements have been made for withdrawals and syndicate members who wish to obtain notes for investment should file subscriptions with the syndicate managers at the issue price. A selling commission of ⅛ per cent. will be allowed on allotments under such subscriptions.

The cost of the notes to the syndicate is to be 1½ per cent. below the average offering price, from which percentage there will be deducted selling expenses including all commission. All charges in connection with the issue other than selling expenses are to be borne by the British Government. Delivery of notes in temporary form and payment therefor will be on or before November 8.

Taxation Upon Foreign Investors

THE provisions of this law make the income taxes expressly applicable to all income received by alien foreign residents from investments in American securities or properties in this country. This, in our opinion, is a mistaken policy. The reasoning is that since the foreigner derives income from this country he ought to pay taxes here, the same as our own people do. It ignores the fact that all the properties from which this income is derived do pay taxes here, that an income tax is not a tax which attaches to property, but which attaches to persons, and that the citizen of another country owes and must pay income taxes to his own country. When in addition to paying income taxes to his own government we insist that he shall pay income taxes to the United States, we subject him to double taxation, and at this time, when taxation everywhere is very heavy, this will tend to diminish foreign investment in this country, and prevent such investments in the future.

One of the most serious problems to be met after the war will be that of holding the stock of gold which is now being received in payment for our extraordinary volume of exports, and which is becoming the basis of credit. Although this gold is mainly received at the port of New York it does not remain here. The stock of gold held by the associated banks of this city is not as large today as it was at the first of this year, not-

withstanding the heavy receipts in the meantime. The Federal Reserve Bank of New York since it began business has paid approximately $200,000,000 in gold through the gold settlement fund to the other reserve banks. This gold is being distributed over the country and being made the basis of bank credit. When the war ends this abnormal state of our foreign trade will end, and in the natural order of things we must expect an outflow of gold. A moderate movement will not be serious, but a heavy movement will mean that the foundation is taken from under our credit structure, and that credits all over the country must be reduced. Nothing is more important than that every possible means for controlling this gold movement shall be at our command, and certainly nothing should be done to make that control more difficult. If we can sell back to Europe at that time some of the securities which we are now purchasing such sales will count the same as gold. We have now a great supply of these securities which have a good name abroad. which have been sold under pressure of an emergency, and which the former owners will be quite disposed to repurchase when in position to do so. Here is an important means of safeguarding ourselves against the uncertainties of the after-the-war period. Why should we set up obstacles to the repurchase of these securities and prefer to export gold?

There has been no little self-congratulation over the fact that New York was becoming a world money market, but such measures as this tend to keep foreign investors out of this market. They are an obstacle to international relations, and as such are opposed to the comity of nations, and to that growth of common interests in which is to be found the greatest security in time of financial crisis and the strongest influence for peace.—*National City Bank, N. Y.*

New Bankers Association

AT the second Morris Plan Convention recently held in New York, a National Association of Morris Plan Bankers was formed, modeled more or less closely on the lines of the American Bankers Association.

The member companies will be grouped by states, each state in which four or more companies are in operation forming a group by itself. There are now fifty-three Morris Plan companies, and eight states are already qualified to have groups of their own. In other cases, three or four states will be necessary to form a group. Officers elected are: R. O. Johnston, of Memphis, Tenn., president Thomas Coughlin, of Cleveland, Ohio, vice-president; Charles R. Huff, of South Bend, Ind., secretary; Wallace D. McLean, of New York, treasurer. Each group will have its own vice-president.

Plans were laid at the convention for the standardization of advertising methods and material for adoption by local companies throughout the country.

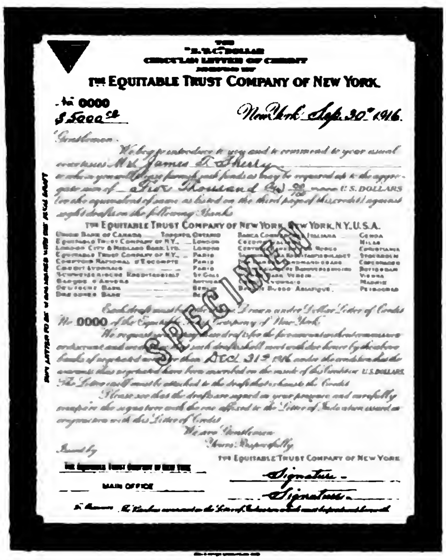
At the dinner which closed the convention, E. L. Richards, State Superintendent of Banks, praised The Morris Plan as a solvent of economic class antagonisms, and George F. Canfield, professor of law at Columbia University, described it as "the helping hand, incorporated."

Twenty-eight companies operating The Morris Plan of industrial loans and investments have been formed within the past year, and the fifty-three now in existence extend from Manchester, N. H., by way of Boston, Providence, Hart-

ford, New York, Philadelphia, Washington and Atlanta, to Cleveland, St. Louis, Denver and San Francisco. Several others are in process of formation, and organization work is projected in many others.

Dollar Letters of Credit

AT the recent New York State Fair an invitation was extended the Equitable Trust Company of New York to make an exhibit of some unique feature of its business that would be of general interest and serve to attract at-


THE EQUITABLE TRUST COMPANY OF NEW YORK.
No. 0000
$5000.00
New York Sep. 30th 1916.
Gentlemen:
THE EQUITABLE TRUST COMPANY OF NEW YORK, NEW YORK, N.Y. U.S.A.
No. 0000
SPECIMEN
THE EQUITABLE TRUST COMPANY OF NEW YORK
MAIN OFFICE
Signature
Signature

REDUCED FACSIMILE OF ONE OF THE EQUITABLE TRUST CO.'S DOLLAR LETTERS OF CREDIT WHICH WERE EXHIBITED AT THE NEW YORK STATE FAIR

ention to the facilities offered by a modern financial institution. The company selected as its exhibit the new "dollar credits." A neat leather card-case was devised, one holder containing a booklet describing these new instruments of exchange, and the other containing a reduced facsimile of them. The latter is reproduced herewith.

The Successful Man

THIS bit of philosophy appears in the Kansas City "Star," credited to Thomas Edward Wilson, who is said to earn "the world's bigest salary":

"I have heard of men in executive positions who felt it necessary to maintain a dignified pose and cultivate an abrupt manner, coupled with a stern and forbidding exterior. But they are, of course, the shams. The real, successful man is the simple, human being who doesn't have to cover up behind a shell. Think over the really successful men and you will note that they have never felt it necessary to cultivate a pose."

The bank officers of the country, as a class, will measure up to Mr. Wilson's definition. The few who affect a pose haven't been on their jobs long.

New Counterfeits

$5 FEDERAL RESERVE NOTE

ON the Federal Reserve Bank of New York; check letter "A"; plate number indistinct; W. G. McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States; portrait of Lincoln.

This is a poor counterfeit, printed from lithographic plates on paper without silk threads or imitation of them. Much of the printing appears in solid color, covering the fine lines of engraving. The number of the specimen at hand is B81745l3A.

This counterfeit should not deceive the ordinarily careful handler of money.

NEW COUNTERFEIT $10 FEDERAL RESERVE NOTE

ON the Federal Reserve Bank of Minneapolis, Minn.; check letter "B"; face of plate No. 3; back of plate No. 20; W. G. McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States; portrait of Jackson.

This is a very dangerous counterfeit, and even money experts may be deceived

by it, so that extreme care should be exercised in handling notes of the above description. The counterfeit is printed from engraved plates on paper almost identically like the genuine. The most noticeable difference is in the portrait of Jackson—the face and hair of which are too dark; in other words, there is an absence of the light and shade effect which in the genuine brings the portrait out into relief from the background. The number of the specimen at hand is I-171743A. The figures of this number in the upper right-hand end of note are very irregular; this of course may be corrected in other issues. The back of the note is about one-sixteenth of an inch longer than the genuine.

Credit is due Mr. C. R. Martense, teller of the Mechanics and Metals National Bank, of New York city, for the detection of this counterfeit.

The Grave of Hamilton

From "The Guaranty News," New York

THE tomb of Alexander Hamilton is in Trinity churchyard a few blocks south of St. Paul's. There is a certain appropriateness in the founder of our financial system being buried within a stone's throw of Wall street, the financial center of the country. Perhaps, too, his simple monument, to the thousands who now pass that way in the frenzied pursuit of fame or fortune, is a warning that "the paths of glory lead but to the grave."

Hamilton was only forty-seven years old when shot down by the ruthless hand of Aaron Burr in the duel at Weehawken, July 11, 1804. He was only thirty-five when, as our first Secretary of the Treasury, he established our national credit. In 1790, the United States owed France, Holland and Spain over $11,500,000, and its debt to Americans was $42,000,000, a total of $53,500,000—about the value of the skyscrapers which now look down on Trinity churchyard. Hamilton funded those debts, together with $20,000,000 of state debts assumed by the Federal Government—after much opposition. Since that [illegible] credit of the United States h[illegible] and that its bonds have a[illegible] good as gold.

ALEXANDER HAMILTON'S GRAVE

THIS MONUMENT, ON THE SOUTH SIDE OF TRINITY CHURCHYARD, WAS ERECTED BY THE SOCIETY OF THE CINCINNATI. THE EPITAPH READS:

"THE PATRIOT OF INCORRUPTIBLE INTEGRITY, THE SOLDIER OF APPROVED VALOR, THE STATESMAN OF CONSUMMATE WISDOM, WHOSE TALENTS AND VIRTUES WILL BE ADMIRED BY GRATEFUL POSTERITY LONG AFTER THIS MARBLE SHALL HAVE MOULDERED INTO DUST."

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Subscribers can get on this list free of charge

Watch for New Names and Other Changes

F. R. Adams, Will Co. National Bank, Joliet, Ill.
American National Bank, Richmond, Va.
D. Ansley, care Central Trust Co., San Antonio, Texas.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.
D. R. Branham, 6252 Leland Way, Los Angeles, Cal.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
Bank of San Rafael, San Rafael, Cal.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
The Citizens Bank & Trust Co., Tampa, Fla.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
Allan Conrad, Box 385, Port Huron, Michigan.
B. S. Cooban, 518 W. 63d Street, Chicago, Ill.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
M. Clarence Crowson, cashier, Home Banking Co., High Point, N. C.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
Bradley Currey, c/o Fourth & First National Bank, Nashville, Tenn.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
C. M. Davenport, pub. mgr., Citizens Trust & Savings Bank, Los Angeles, Cal.
Dexter Horton National Bank, Seattle, Wash.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Eberspracher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, Secretary Guaranty Trust Co., New York.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
H. Gavere, asst. cash. of Scandinavian American Bank, Grand Forks, N. D.
B. P. Gooden, advertising manager, New Netherland Bank, New York.
J. W. Groves, advertising manager, Minnesota Loan & Trust Co., Minneapolis, Minn.
German American Bank, Springfield, Mo.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
D. L. Hardee, publicity manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Charles D. Jarvis, c/o Savings Bank of Utica, New York.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
Theodore Jessup, Woodlawn Trust & Savings Bank, 1204 E. 63rd Street, Chicago, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
M. R. Knauft, cashier, Merchants National Bank, St. Paul, Minn.
A. T. Kahn, vice-president, Commercial National Bank, Shreveport, La.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
E. G. McWilliam, publicity manager, Security Trust Savings Bank, Los Angeles, Cal.
Ralph H. Mann, Park Trust Co., Worcester, Mass.
Charles S. Marvel, The First-Second Savings & Trust Co., Akron, Ohio.
Dave S. Matthews, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
J. H. McDowell, c/o American Trust & Banking Co., Chattanooga, Tenn.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Northwestern Trust Co., R. P. Sherer, vice-president, St. Paul, Minn.
W. W. Norton, Treas., Robbins Burrall Trust Co., Lakeville, Conn.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
John Poole, president, Federal National Bank, Washington, D. C.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
John W. Pratt, Real Estate Officer, The Kennett Trust Co., Kennett Square, Pa.

Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
George J. Schaller, cashier, Citizens National Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
Sioux City Trust & Sav. Bank, Ben W. Frieden, cashier, Sioux City, Iowa.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
A. C. Smith, Vice President, City National Bank, Clinton, Iowa.
J. G. Spangler, cashier, The Mesa City Bank, Mesa, Ariz.
F. E. Stewart, secretary and treasurer, Commercial Savings Bank & Trust Co., Toledo, Ohio.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
J. C. Stover, secretary-treasurer, Indiana Savings & Loan Assn., South Bend, Ind.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
C. C. Willson, c/o Continental & Commercial Trust & Savings Bank, Chicago, Ill.
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

NEW NAMES

W. A. Harper, Lumberman's National Bank, Houston, Tex.
J. E. Williams, assistant cashier, Third National Bank, Scranton, Pa.

High Cost of Living

THE most unsatisfactory feature of the general situation is the general rise in the cost of living, which is unquestionably bearing heavily upon the people of small incomes. There is, perhaps, little comfort to them in reflecting that the conditions are temporary, as they unquestionably are. They are the direct result of the withdrawal of so many men from industry and the enormous consumptive demands of the war. These prices, however, are giving a stimulus to industry which will result in a permanent increase in the supply of all kinds of goods. In Cuba, for instance, there is great activity clearing new lands and bringing them into sugar production. The same is true in all sugar-producing countries, and it requires no prophet to tell that when the beet sugars of Europe come again into the market, prices will be lower than ever before known. The work that is being done for agriculture in this country at the present time gives promise of important results before long. The farmers are increasing their herds, sheep raising is feeling the stimulus of unusual profits, and there are many signs which indicate that the consumer will have an inning later if he can hold out until the time comes.—*National City Bank, N. Y.*

Hard Times According to the Politicians

[From a speech by Hon. Cyrus Cline of Indiana, House of Representatives, July 7, 1916]

MY friend from Connecticut (Mr. Hill) says they have to eat horse meat in New York. Does he not know that many fashionable restaurants have on the bill of fare crawfish, snails, and lamb fries, and mountain oysters, and chitterlings? Does he not know that the rich and aristocratic people of France eat horse meat in preference to beef and lamb? In Republican times in the past, in some of the big cities throughout this country, little children have had to dig about in the barnyards, in the droppings of horses, extracting kernels of corn and grains of wheat and other grains to make soup of in order to sustain their precious lives? (Applause on the Democratic side.) Can not you old stand-pat Republicans let your hard-frozen hearts thaw out and sympathize with the hardships and sufferings of the poor working people? (Applause on the Democratic side.)

International Banking and Finance

Business Conditions in the Argentine

THE election of Mr. Hipolito Irigoyen and Dr. Pelagio B. Luna to the presidency and vice-presidency of the republic, respectively, for the period 1916-1922 has dispelled the uncertainty that for some time had prevailed in the political circles of the country, says a recent pamphlet issued by Ernesto Tornquist & Co., Ltd., bankers of Buenos Aires.

The Radical party comes into power for the first time after thirty years of strenuous working, with a conservative programme based on the strict observance of the Constitutional principles of the democracy.

On the 9th of July ult. the hundredth anniversary of the declaration of Argentine Independence was fittingly celebrated throughout the land.

The international policy pursued by the Government has yielded of late two significant achievements, namely, the Pan-American Financial Congress held at Buenos Aires last April, and the free trade treaty recently concluded with the neighboring Republic of Paraguay.

Resolutions estimated to be of paramount importance to the continent as a whole, were passed by the Pan-American Financial Congress, as follows: 1. Creation of an American merchant marine. 2. Adoption as a monetary unit of account of the franc weighing 0.33437 gram of gold 900 fine, exactly equivalent to 20 cents United States currency. 3. Completion of an intercontinental railway system and improvement of telegraph and cable facilities. 4. Governmental control of all wireless communications. 5. Uniform legislation regarding bills of exchange. 6. Establishment of international conventions on trademarks and copyrights. 7 Approval of the agreement negotiated between business men of the Argentine Republic and the United States through the instrumentality of their respective chambers of commerce, and revision of laws relating to commercial travelers and samples. 8. Uniform classification of tariff statistics. 9. Simplification of port charges and consular fees. 10. Reduction of postal rates.

GENERAL ECONOMIC SITUATION

GOOD cereal crops and rising prices of cereals; large exports of frozen and canned meat, quebracho wood and quebracho extract, butter and hay; increasing imports; enhancement of the custom house revenues; further accumulation of gold; expanding industrial activity; increasing bank deposits; new investments of foreign capital; increase in petroleum production; fewer commercial failures; and, on the other hand, reduced shipments of agricultural products owing to high freights, are the salient features of the present economic situation of the country.

Land values are stationary, and no visible improvement in the real estate market has occurred. Very cold and dry weather has had an unfavorable influence on the condition of the pasture lands, but recent rains have improved them very much. Prices of cattle remain high.

GOLD AND CURRENCY

ARRIVALS of gold in Buenos Aires and Montevideo since September 1, 1915, aggregate £5.643,000, of which

£3,955,000 correspond to the former and £1,688,000 to the latter.

The reserve now held in the Caja de Conversión amounts to $253,857,643.40 gold. If there is added $62,969,833.62 gold, on deposit with the various legations, and $10,000,000 gold with the Banco de la Nacíon Argentina, the latter being part of the conversion fund, there is a total of $326,827,477.02 gold, guaranteeing a monetary circulation of $1,013,080,680.62 paper, which at the statutory rate of 44 cents per peso paper, equals $445,755,499.47 gold.

The proportion of the gold reserve to the amount of outstanding notes represents, accordingly, 73.32 per cent., compared with 72.65 per cent. quoted in the report of February 25 last.

It scarcely needs to be pointed out that such an ample metallic reserve insures, beyond question, the stability and safety of the currency.

On May 15 the Government suspended, until further notice, the law authorizing deposits of gold in the Argentine legations against delivery here of an equivalent amount in paper money at the rate of $2.27 paper for each $1 gold.

Of the gold deposited with the Argentine legations £2,145,000 have been brought to Buenos Aires since September last year, and further amounts in Sweden and in the United States were sold by our Government against payments of the equivalent in gold to the Caja de Conversión here.

FOREIGN CAPITAL

THE loans of North American bankers to the Argentine Government since the beginning of the European war, amount to $85,662,500 United States currency.

A United States syndicate with a capital of $2,000,000 gold has secured a concession for six years from the government of the Province of Buenos Aires for the exploitation of an area in the Sierras Bayas quarry district, to manufacture Portland cement. An adjoining property of about 200 hectares has been purchased outright. It is expected that the company will reach the producing stage toward the end of 1917.

Another United States syndicate has offered to colonize an area of from 50,000 to 100,000 hectares of fiscal lands in the northern territories of the country, involving the settlement within one year of about one thousand North American families, each bringing a capital in cash of at least $5,000 gold|

It is stated that several strong United States financial groups are interested in acquiring a valuable tin mine in the Province of Catamarca.

Imperial Bank of Germany

FROM the annual report of the Imperial Bank of Germany—a translation of which appears in the September number of the London "Bankers Magazine," is taken the following information regarding the note cover of the bank:

Although, as has been pointed out, the Imperial Bank had in the year under review, to satisfy wide claims on the part of the Empire and of business, both for credit and for currency, its status, as measured by the amount of cover, has always shown a very satisfactory picture. In this connection it is especially noteworthy that again the gold reserve alone has not only been sufficient to maintain the legal metallic reserve, but on the average has surpassed this limit by more than ten per cent. On the average for the year the gold cover for notes was 43.6 per cent., that is one-half per cent. better than for the last return before the outbreak of war. In view of this the cover maintained by the whole cash reserve (gold, divisional currency, Imperial Treasury notes and Loan Bureau notes) which satisfy the legal reserve regulations remained of no practical importance. On the average for the year they stood

at 53.3 per cent., that is to say, twenty per cent. higher than is legally required.

The total day-to-day liabilities (notes and deposits), for which there are no legal reserve regulations, and which on July 31, 1914, had a gold reserve of 30.1 per cent., were during the year under review covered by gold on an average in the proportion of 32.7 per cent., that is to say, 2.6 per cent. better.

It is seen from this that the Imperial Bank both for the gold reserve against its notes and against its day-to-day liabilities has on the average for the year 1915 not only been able to maintain a proportion as good as at the outbreak of war, but has been able to improve it.

Conditions in Canada

THE great war has brought about many new conditions in Canada. General prosperity prevails throughout the Dominion. Agriculture, lumbering and paper manufacture, the chief industries, by reason of high prices and heavy demands, are in a specially prosperous condition. As in the United States, special industries in position to fill war orders are exceedingly busy. Labor is scarce and highly paid, and unemployment does not exist. At the same time the crops, though not up to the high mark of last year, are still good average crops, and with the high prices now prevailing will bring as much as the average at least.

Money is plentiful, the two war loans having been heavily over-subscribed. The banks, which underwrote $50,000,000 of the last loan did not secure any of the new issue. National thrift. which has been sedulously cultivated by the Canadian Bankers Association and others, has resulted in a large volume of savings, part of which is now being invested in war bonds.

While prosperity is now general in Canada, the leading bankers are not unmindful of after-the-war conditions and every effort is being made to prepare for the aftermath, whatever it may be. In spite of the sacrifices the country is making in many ways, the best is being brought out and Canada will be a better place after the war is over.

As a recent writer says: "Canada is taking long strides along the path of progressivism. She is finding herself in the war in a way that compels admiration. It is a big enough achievement to build a volunteer army of 350,000 for overseas service, to foot a bill of half a billion dollars for war expenses, and to raise from private pockets thirty millions for war relief. But her political progress is even more astonishing. When the war is over Canada will have suffered severe losses, and will be carrying a heavy debt. But her splendid action on these two vital issues will make the country a better place to live in than 'before the war.'"

Savings Bank of South Australia

THE savings Bank of South Australia reports a total income for the year ending June 30, 1916, of £368,716. At this date depositors' balances with interest thereon amounted to £9,265,704 and total resources were £9,655,891.

During the year the number of depositors increased by 8,240, the average

amount to the credit of each depositor being £41. Estimating the population of the state, on June 30, 1916, at 437,-432, the proportion of depositors to population was 59 in every 100 persons. Including 22,368 Penny Bank depositors, the proportion was 64 in every 100 persons.

Interest amounting to £309,006, being at the rate of 3¾ per cent. per annum on ordinary depositors' balances up to £350, and on unlimited balances at credit of Friendly Societies, was added to depositors' accounts open on June 30. Interest at the rate of 2½ per cent. per annum, amounting to £3,142, was paid to depositors, who closed their accounts during the year, and the sum of £16,000 was set apart as accrued interest from June 7 to June 30.

The amount of £13,587 was added to the Reserve Fund, making the latter a total of £275,000. This fund is to provide against losses or for depreciation in investments. Total disbursements for the year were £364,343; £22,520 was carried over to the credit of profit and loss account.

The Mobilization of Bank Funds in the Argentine

REVIEWING the present state of the money market, "La Nacion" of Buenos Aires states that the notes in actual circulation are greatly in excess of the quantity of medium necessary for commercial operations, and as a natural consequence enormous quantities gravitate towards the banks where they remain dormant for want of proper channels of outlet. In order to deviate this overflowing stream of unproductive currency it became necessary for the banks not only to suppress the interest allowed on current account, but also to reduce the rate of return for money placed on deposit for fixed periods. A logical result of this decrease in the earning power of capital would be a corresponding decrease in the discount rate. "La Nacion," however, calls attention to the fact that on the contrary discount rates have remained stationary, asking at the same time what reason can be adduced for this strange anomaly. In this country, goes on "La Nacion," in answer to its own question, the discount rate has remained stationary for various fundamental reasons, among which are to be found the high rates ruling in the European markets, the special nature of the Argentine market, and lastly, the unequal distribution of money throughout the republic. Statistics show that two-thirds of the currency of the country is to be found deposited in the banks of the capital, whilst "La Nacion" points out that in the provinces the demand for money is greater than the supply. In Mendoza, San Juan and Salta loanable capital is in demand at nine and ten per cent., and in view of the plethora existing in the capital, as evidenced by the enormous deposits shown by the bank returns, that paper expresses surprise that the banks have not met the situation by transferring their superabundant funds for employment in those provinces where an urgent need of capital actually exists. It is illogical, concludes "La Nacion" to complain of want of a proper outlet for capital when there exist in the provinces industries which are in danger of being ruined for lack of the funds necessary to carry on.

Australasian Banking Returns

Second Quarter, 1916

[From the Australasian Insurance and Banking Record.]

THE grand totals for Australia and New Zealand of the principal items of the returns of the twenty-two banks compare with those for the corresponding quarter last year as follows:

	June Quarter, 1915. £	June Quarter, 1916. £	Movement. £
Deposits	192,860,101	198,780,544	+ 5,920,443
Advances	145,702,219	160,150,286	+14,448,067
Coin & bul..	40,261,657	33,656,956	— 6,604.701
Aust. notes..	20,089,063	19,942,497	— 146,566

A similar comparison of the figures of the Commonwealth Bank of Australia is as follows:

	June Quarter, 1915. £	June Quarter, 1916. £	Movement. £
Deposits*	4,572,125	21,537,219	+16,965,074
Advances†	2,004,355	7,166,777	+ 5,162,422
Coin & bul..	1,034,817	1,395,182	+ 360,365
Aust. notes	372,226	10,552,238	+10,180,012

*Exclusive of savings bank department. †Exclusive of Government and municipal securities.

The deposits of the twenty-two banks show an increase of under six millions, which is more than accounted for by New Zealand, as a decrease has taken place in Australia; while the deposits of the Commonwealth Bank show an increase of nearly 17 millions, which is largely due to Government money, as heavy instalments on account of the second war loan and large amounts of taxation were received during the June quarter. Thus the increase in deposits following a season of good returns from production in the leading natural industries of the country, which under ordinary circumstances would have appeared in the returns of the ordinary banks, and would consequently have been available for employment amongst the producing and trading classes, has, on the present occasion, been absorbed by the requirements of the Commonwealth Government for war purposes. In other words, the fresh capital which in time of peace is added to the permanent accumulated wealth of the country is being devoted to the necessities of the war in so far as Australia is taking its share of the responsibilities of the struggle. Not only is fresh capital resulting from current savings being thus absorbed, but former accumulations are also being drawn upon, and the effect is visible in the diminution of over 3½ millions in fixed deposits in the Commonwealth during the past twelve months, and also in the tendency to divert money formerly lent on mortgage by various classes of lenders, and to invest it in the war loan. The effect of the large borrowings of the Government on other methods of employing money is probably not yet fully felt.

The heavy increase in advances during the past twelve months is largely due to the advances made by the banks and by the Commonwealth Bank under the Wheat Scheme, the full effect of these advances being apparent in the figures for the June quarter. Since the end of the quarter, however, the advance obtained from the British Government has enabled the advances made by the banks to be liquidated. During the currency of the advances there was the appreciable set-off that the money received by wheat growers enabled them to reduce their individual indebtedness, so that the wheat advances did not involve a real demand upon banking resources to the full amount lent. The advances of the ordinary banks have also been increased during the past twelve months by their subscriptions to the Government loans. With the increase of import trade during the last few months, trading requirements have become somewhat larger.

British Investments in Latin America

THE extent to which Great Britain's investors and bankers have placed funds in Latin American securities is evidenced by the figures tabulated below. These statistics were compiled

principally from the official list of securities quoted on the London Stock Exchange, to which have been added the estimated total British holdings of unquoted securities of Latin American and West Indian companies, including oil and mining enterprises. The figures as submitted are conservative.

CLASS OF SECURITIES

Gov., State and municipal loans	$1,571,879,500
Ry. securities, stocks, debentures, etc.	2,350,519,500
Industrial, land, timber, oil, lighting, etc.	1,265,290,000
Total	$5,187,689,000

DISTRIBUTION OF INVESTMENNTS

Argentina	$1,897,935,000
Brazil	1,119,295,000
Chile	340,655,000
Uruguay	243,325,000
Peru	121,662,500
Venezuela	39,905,300
Colombia	33,578,900
Bolivia	17,519,400
Paraguay	14,599,500
Ecuador	13,626,200
Guianas (the)	8,759,700
Total, South America	$3,850,861,500
Mexico	$798,106,000
Cuba	229,698,800
Guatemala	51,098,200
Costa Rica	32,118,900
Honduras	15,086,200
Nicaragua	5,839,800
Santo Domingo and Haiti	3,406,500
British Honduras	1,460,000
Porto Rico	2,919,900
Total, Mexico, Central America, and Latin West Indies	$1,139,734,300
Shipping	$97,330,000
Banks and trust companies	99,763,200
Grand total	$5,187,689,000

In addition to the above total, Great Britain has invested fairly large amounts in British West Indian, colonial, and other securities. The total British West Indian investments would likely approximate $60,000,000, including some $30,000,000 in colonial loans and upward of $20,000,000 in Trinidad oil securities. Thus the approximate total invested in governmental and municipal securities and in stock enterprises throughout South and Central America, Mexico and the West Indies may conservatively be said to approach $5,250,000.

Investing War Savings in Great Britain

To encourage the investing of savings and other small sums in war securities the British Government has issued war savings certificates. They are issued in denominations of 15s 6d, or approximately $3.75 and the sum return in five years is £1, or $4.85. The rate of interest is thus equal to about 5 1/3 per cent. per annum, compounded. The investment is attractive because the certificates are free of income tax and the interest itself need not be added to income tax returns. The certificates can be cashed at any time on three days' notice.

The distribution of the war savings certificates through war savings associations is in the hands of the National War Savings Committee, which reports that up to August 12, 1916, 24,441,306 certificates had been issued. Any num-

ber of persons may form a war savings association. In many cases the associations consist of individuals already co-operating in some way, as a trade-union, a friendly society, or a building society, but any group meeting regularly in a church, a schoolhouse, a club, or a workshop may form an association. Three thousand war savings associations are now in existence.

The Industrial Bank of Japan, Ltd.

THE Industrial Bank of Japan, Ltd., reports net profit for the half-year ending June 30, 1916, including yen 58,223 balance brought forward from last account and after making necessary payments and deductions, amounting to yen 621,691. Out of these profits, yen 49,750 was transferred to the reserve against losses, and yen 12,450 to the dividend equalization reserve. After making these transfers, yen 437,500 were paid as a first dividend at the rate of five per cent. per annum; and that out of yen 121,991 available, yen 20,000 were appropriated for the remuneration of the officers, and yen 43,750 were paid as a second dividend at the rate of 0.5 per cent. per annum. The balance yen 58,241 was carried forward.

"During the period under review," said Chairman Tetsujiro Shidachi in his report to the shareholders, "the unfavorable condition of the money market, which was prevalent during the last term and the term before last, showed no sign of improvement. The European war which was mainly responsible for this state of affairs, still continuing. The bankers and financial houses had in their hands large amounts of money, which could not be employed and consequently money ruled very cheap.

"The result of the operation in the half year was very unsatisfactory to bankers, considerable decrease in earnings being noticeable everywhere. This bank was unfortunately no exception to this general rule. Under these circumstances, we did not think it advisable to increase the rate of the dividend which was declared at 5.5 per cent. per annum, the same as in the last term."

Commonwealth Bank of Australia

THE Commonwealth Bank of Australia reports profits for the half-year ending June 30, 1916 of £93,898. of which one-half was transferred to reserve fund and one-half to redemption fund, making the former fund a total of £73,534, and the latter the same amount. The total assets of this bank on June 30 were £41,772,354. Deposits were £29,745,868 and savings deposits £9,477,895.

Banking and Financial Notes

EASTERN STATES

New York City

—Frank C. Mortimer, well known throughout the country as a banker and writer on financial subjects, has recently resigned the cashiership of the California bank in which he has been a factor for so many years. He has

F. C. MORTIMER

A CALIFORNIA BANKER AND WRITER ON FINANCIAL SUBJECTS WHO HAS BECOME CONNECTED WITH THE NATIONAL CITY BANK OF NEW YORK

also resigned several other offices, including that of treasurer of the Westinghouse Pacific Coast Brake Co., to accept an important appointment with the National City Bank of New York.

Mr. Mortimer has been an ardent worker in the educational department of the American Institute of Banking, giving freely of his time and energies to help those starting in the banking business to improve their situations. He conducted a class among the employees of his bank, turning out a number of Institute graduates, several of whom later assumed official positions.

He served as president of the Institute in San Francisco for two terms and during recent years has been active in the thrift campaign, having delivered addresses on banking and kindred subjects before the students of the University of California and in San Francisco.

His latest contribution to banking

literature is his "Paragraphs on Thrift." A brochure on bank loans, entitled "Bank Loans to Manufacturers," is accepted as a text book, as well as his "Investment of Trust Funds." His other works include "School Savings Systems," "The New Banking and Currency Law," "National Banks and the Federal Reserve System," "Some Phases of Loans and Discounts," etc.

It is reported that Mr. Mortimer declined the presidency of a Middle West bank and the vice-presidency of another institution to accept the offer of the big Wall street bank, which appears to be reaching out for men who have distinguished themselves in their profession.

Mr. Mortimer has made many friends throughout the country and he has frequently addressed bankers' conventions on live banking topics. A careful summary of banking conditions, with special reference to decreasing ratios of profit, was recently given in an address before the annual convention of the California Bankers Association. The address has been reviewed in the leading financial papers, including THE BANKERS MAGAZINE. It also has been printed in pamphlet form under the title of "The Law and the Profits." A great deal of favorable comment has been made about it by bankers and students of finance.

—Philip L. Watkins has been appointed an assistant secretary of the Franklin Trust Co. of Brooklyn and New York. He will be located in the company's main office at 166 Montague street, Brooklyn. Mr. Watkins was formerly connected with the United States Trust Co.

—At a recent meeting of the executive committee of the Guaranty Club, an organization composed of officers and clerks of the Guaranty Trust Co. of New York, officers were elected for the ensuing year, as follows: E. P. Tate, president; C. E. Rasche, vice-president; Geo. C. Fincke, treasurer. and K. S. Davidson, secretary.

—James Brown Mabon and Ogden L. Mills have been elected directors of the Bank of New York, N. B. A. Mr Mabon is a member of the governing committee of the New York Stock Exchange.

—As a striking reflection both of the growth of American banking in general and of an enterprising institution in particular, a comparison of the September 20, 1916, statement of the Guaranty Trust Co., with that of September 25, 1915. is interesting. It shows:

	September 25, 1915	September 20. 1916
Capital, surplus and profits	$31,625,874	$45,608,472
Deposits	323,390,925	417,499,010
Total resources	391,486,498	515,173,701

The total of the present balance-sheet is as large as that of all the New York Clearing-House banks not so many years ago, while a growth of over $124.000.000 in a single year is cer-

tainly a remarkable achievement in American banking.

—To comply with the requirements of the Clayton Act, Francis L. Hine, president of the First National Bank, has resigned from the board of the Chase National Bank. For the same reasons four resignations have recently taken place in the board of the National Bank of Commerce in New York, namely, Harry P. Whitney, Daniel Guggenheim, Alvin W. Krech and Paul D. Cravath.

—In the selection of Leroy A. Mershon, publicity manager of the United States Mortgage and Trust Co. of New York, as secretary of the trust company Section of the American Bankers Association, the members of that association have again indicated their preference for men who have had training in the American Institute of Banking.

Mr. Mershon is a Princeton man and obtained his first banking experience in the First National Bank of Princeton, N. J. It was while he was with the Real Estate Trust Co. of Philadelphia that he became interested in the work of the American Institute of Banking through Philadelphia Chapter, and upon coming to New York in August, 1912, to handle the advertising of the United States Mortgage and Trust Co., Mr. Mershon transferred his membership in the institute to the New York Chapter. He has always taken an active interest in the affairs of the latter organization, having served on several committees and acting as chairman of the publicity committee during the season of 1914-15. He is at present a member of the board of governors of New York Chapter. During the season of 1915-16 Mr. Mershon was chairman of the National Publicity Committee of the institute.

He brings to his new position a training which will prove of great value to the trust company Section, and his friends in the institute unite in wishing him a large measure of success.

—Edward J. Byrne has recently associated himself with the advertising agency of Edwin Bird Wilson, Inc., 14 Wall street, New York. Mr. Byrnes has been connected with the J. Walter Thompson Co. for twenty-five years, during which time he handled many important financial accounts.

—Edward de Lima, formerly of the firm of D. A. de Lima & Sons, and

Emil Fleischman, until recently a deputy manager of the London and Liverpool Bank of Commerce, in London, have entered the employ of the Guaranty Trust Co. of New York in its foreign department. Mr. de Lima, who is a brother of E. A. de Lima, president of the Battery Park National Bank, has traveled extensively in the Latin American countries and in Europe and will serve as a foreign representative of the institution with which he has just affiliated.

Mr. Fleischman is well known in British and European banking circles as a commercial banker and will serve as an assistant manager of the Guaranty's foreign department.

—The Bankers Trust Co. has rearranged its quarters at 16 Wall street, making space available equivalent to two entire floors. The transfer and registration departments, formerly on the first floor, have been moved to the basement, to which a direct entrance has been opened from Wall street. The tellers will later occupy the space thus made vacant, while the reorganization and trust departments on the first and second floors, respectively, will have new and larger quarters on the third floor.

When the Bankers Trust Co. building was put up about four years ago, the office plans were expected to last mnay years, but increasing business has made these changes necessary. In the course of the alterations a vault has been taken apart and laid away for future use, which was originally built on this site for the Manhattan Trust Co. in 1890. It has been taken down and rebuilt twice, as new buildings were erected over it, and engineers pronounce it still in excellent condition.

—Eugene W. Stetson, of Macon, Ga., has been elected a vice-president of the Guaranty Trust Co.

Mr. Stetson is president of the Citizens National Bank of Macon, vice-president of the Macon Savings Bank and an officer in many corporations throughout the South. He was president of the Macon Chamber of Commerce in 1912, and vice-president of

EUGENE W. STETSON
VICE-PRESIDENT GUARANTY TRUST COMPANY OF NEW YORK

Business

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the Georgia Chamber of Commerce in 1916. When Macon took over the water system from a private corporation, Mr. Stetson represented the city as arbitrator.

—Redmond & Company are offering $1,200,000 City of Detroit, Mich., 30-Year 4 per cent. Bonds, due 1946. These bonds are free from taxation in the State of Michigan, and are also exempt from the Federal Income Tax and ownership need not be reported in income tax returns. They are legal investments for savings banks and trust funds in Michigan, New York, Connecticut and Massachusetts. Interest is payable May and November 1st. The bonds which are coupon are of $500 and $1,000 denominations and may be fully registered. Price is 103 and interest.

—The State Banking Department has approved the change of location of the International Bank of New York, now at 60 Wall street, to the Whitehall building, 17 Battery place. This bank has leased the ground floor of the Whitehall building, where it will make its new quarters in the near future.

—The National Bank of Commerce has recently completed alterations which will practically double its banking facilities.

"The significance of these improvements is not limited to the mere increase of our own facilities," said James S. Alexander, president of the bank. "This expansion was called for by the present demand of a rapidly increasing domestic and foreign business; but it is my opinion that the United States has only begun to realize its commercial and financial possibilities. Unquestionably, serious problems of readjustment must be met and overcome after the present war in Europe, but American business men have heretofore faced difficult problems, and if they apply to the problems of the future the energy and intelligence which they have manifested in the past, and can couple with this energy and intelligence the broad world outlook which present conditions demand, I believe our economic possibilities are practically limitless."

The National Bank of Commerce now occupies six floors of its nineteen-story building at 31 Nassau street. The space allotted to the foreign department has been increased four-fold, and the executive offices have been much enlarged and improved. The National Bank of Commerce was organized in 1839 and is the second largest bank in the United States.

—Directors of the Federal Reserve Bank of New York have elected Joseph D. Higgins, formerly connected with the American Exchange National Bank, an assistant cashier. The election has been approved by the Federal Reserve Board.

Albany

—The statements of the eighty-nine trust companies operating in New York State on September 20 last, the date of State Superintendent of Banks Eugene Lamb Richards' last call for reports of these institutions, show on the whole very satisfactory results. While the resources, totaling $2,626,431,407, show no material change since the previous call on June 30, yet there are a number of changes in the various items reported. Stock and bond investments show a decrease of over $10,500,000, while loans and discounts show a falling off of nearly $16,000,000. On the other hand, the cash due from other

banking institutions, including exchanges, shows an increase of over $7,000,000.

The capital has increased from June to September $3,750,000, due to the authorization of two new trust companies, while surplus increased over $4,000,000, due mainly to increase in values of securities. The decrease in deposits of approximately $30,000,000 is partly offset by the increase of acceptances of nearly $13,500,000 and a gain of nearly $8,000,000 in other liabilities.

—The addition to the New York State National Bank of Albany is making great headway. The new building has risen to the second floor, with the brick and stone work in place.

Buffalo

—Herewith is shown an illustration of the new building which the Bank of Buffalo is putting up at the northeast corner of Main and North Division streets. It is of Indiana limestone, and McKim, Mead & White are the architects. The banking rooms will be elevated above the first floor, leaving the latter for mercantile uses.

On account of the steady growth of the Bank of Buffalo, it has not only been found necessary to construct this

NEW BUILDING OF THE BANK OF BUFFALO NOW BEING CONSTRUCTED

modern building, but to acquire additional adjoining space to provide for further enlargement in the near future.

—The Citizens Commercial Trust Company of Buffalo is now located in its new offices in Ellicott Square. It formerly had its quarters at William and Sherman streets. In honor of the occasion President William H. Crosby and Joseph Block, chairman of the board, tendered a dinner to the officers, directors, clerks and the advisory committees of the branches maintained by the institution in different parts of the city.

Philadelphia

—Because of the recently enacted Clayton Law, which forbids the interlocking of directorates, Walter Scott and Charles Class, president and vice-president, respectively, of the Tenth National Bank of Philadelphia, have resigned from the board of directors of the Columbia Avenue Trust Co., while Sylvester A. Leith, president of the Columbia Avenue Trust Co., has given up his membership on the board of directors of the Tenth National Bank.

—On October 13 the deposits of the Second National Bank of Philadelphia (at Frankfort) reached over $4,000,000—the first time in the history of the institution this amount has been held on deposit. The resources of this bank are $5,125,000. Its capital is $280,000 and it has a surplus of $560,000. The officers are Franklin Smedley, president; Daniel R. Greenwood, vice-president; John E. Gossling, cashier, and W. Grant Hallowell, assistant cashier.

—In other departments of local industry, says the October letter of the People's National Bank of Pittsburgh, conditions reported a month ago as regards supply and demand, prices, la-

bor and transportation have been accentuated. Possibly the most important advance has been in the price of coal. The consumption of steam fuel has reached a new maximum in the history of the district. Production is restricted by available labor supply and railroad facilities. Stocks at primary shipping points are comparatively low for the season. If the impending winter should be severe, thereby increasing domestic consumption, a really serious situation in the coal market would likely develop. In any event, the prospects are that the coal companies will experience a more prosperous year than any since 1902-1903, when anthracite output was greatly restricted by a general strike of miners, and consumers were forced to substitute bituminous.

—The Federal Title and Trust Company of Beaver Falls, Pa., has issued a digest of the 1916 Revenue Law which contains much interesting data for the business man who wishes to get a clear idea of the provisions of this complicated act.

—The Asbury Park and Ocean Grove Bank of Asbury Park, N. J., is now located in its new $75,000 building. A pleasing ceremony marked the dedication of the new building which was the occasion for a number of speeches by prominent citizens, including Henry C. Winsor, president of the bank; Clarence E. F. Hetrick, mayor of Asbury Park, and William E. McDonald, mayor of Bradley Beach. Carnations for the ladies and cigars for the men were distributed as souvenirs.

The building, which is of Ionic design, is equipped with every modern banking convenience. Much thought and care was given to the arrangement of the interior and nothing has been left undone that would add to the convenience and comfort of both patrons and employees.

The Asbury Park and Ocean Grove Bank is the oldest in Asbury Park and the largest in Monmouth County. Its officers and directors are as follows: President, Henry C. Winsor; vice-president, C. C. Clayton; cashier,

Harry A. Watson; assistant cashier, Frank M. Miller; directors, T. Frank Appleby, Rev. Dr. A. E. Ballard, C. C. Clayton, W. Harvey Jones, I. R. Taylor, Henry C. Winsor, Harry A. Watson and George S. Ferguson.

—The Raritan Trust Company of Perth Amboy, N. J., has been organized with the following officers: S. Riddlestorffer, president; A. Greenbaum, Abel Hansen, A. Clayton Clark and W. Parker Runyon, vice-presidents; Theo. Degenring, secretary and treasurer.

—Arthur Koch, formerly connected with the New York State National Bank of Albany, and also with the Manufacturers' National Bank of Troy, N. Y., has been chosen cashier of the First National Bank of Amsterdam, N. Y., to succeed George B. Wilkinson, who has resigned to become a national bank examiner.

NEW ENGLAND

Boston

—Depositors and creditors of the Lafayette Savings Bank are to receive a dividend of eighty-seven per cent. On January 1, 1915, the bank was restrained from doing business. At that time its assets were $9,215.45 and its liabilities were $11,152.48. Creditors who supplied the furnishings for the bank on the order of the president or assistant treasurer at an expense of $1,174.73 insisted that their claims were preferred. The court decided that the creditors must share pro rata with the depositors. If the bill of the creditors had been paid in full the depositors would have received only seventy-six per cent.

—The Roxbury National Bank, recently organized, will open for business about November 1 at 2418 Washington street, Roxbury. The new bank will have capital of $200,000 and surplus of $40,000. The president will be Francis L. Daily of the Daly Plumbing Supply Co.; vice-president, Patrick McGovern, contractor, and cashier, Louis R. Hunter, now discount clerk of the Federal Trust Co., Boston.

—The Equitable Trust Co., newly organized, will begin business about November 10 on the ground floor of the building 35 Congress street, Boston.

—Harry W. Bond and William O. LeFavre have been appointed assistant cashiers of the First National Bank of Boston.

—The Second National Bank, Nashua, N. H., of which L. F. Thurber is president, has purchased the old Tremont House, occupying one of the most important business sites in the city, corner of Main and Pearl streets. Thomas M. James, architect, 125 Devonshire street, Boston, will make plans for a

modern bank building to be erected on the site during the coming year.

—Architect Thomas M. James, 185 Devonshire street, Boston, is preparing plans for fitting up quarters in the building corner Otis and Beach streets, Revere, Mass., for the newly-organized Revere Trust Co., Joshua Harron, president.

—The Merchants National Bank and the Hillsborough County Savings Bank of Manchester, N. H., have moved into their new building, which is one of the finest structures of its kind in the state.

—Clarence A. Rathbone, who has recently been made vice-president of the Norwood (Mass.) National Bank, entered the employ of the State Bank, Boston, in 1902, and was made discount clerk in 1910. When the State Bank was absorbed by the Merchants National he became head of the collateral loan department. He was elected vice-president of the Boston Chapter, American Institute of Banking, in 1915, and a year later became president of that body.

—Important gains are shown by the statement of the Rhode Island Hospital Trust Co. of Providence, as shown in its report to the State Bank Commissioner September 12. As compared with the previous report of April 29, 1916, the deposits had increased from $47,547,055 to $52,125,542, and the total assets from $53,747,811 to $59,-779,684.

—Colonel Frank W. Matteson has resigned as president of the Blackstone Canal National Bank of Providence, R. I., and William L. Hodgman has resigned as a director. William A. Viall and Albert R. Plant were elected for the retiring directors' terms to fill the vacancies. Albert R. Plant was elected president and Charles P. Brown was appointed cashier.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—John M. Miller, Jr., first vice-president of the First National Bank of Richmond, has been elected president of that institution to succeed the late Colonel John B. Purcell. W. M. Addison, cashier, has been elected first vice-president and cashier. C. R. Burnett, assistant cashier, becomes second vice-president. Mr. Miller has had extensive banking experience, having entered the financial field in 1883, in Lynchburg. He became cashier of the

PHOTO BY FOSTER, RICHMOND, VA.

C. R. Burnett
VICE-PRESIDENT, FIRST NATIONAL BANK, RICHMOND, VA.

First National Bank of Buchanan in 1890, and in 1893 was made a national bank examiner. Two years later, in 1895, he relinquished that position to become cashier of the Merchants and Farmers National Bank of Charlotte, N. C.; in 1902 he was elected vice-president and cashier of the First National Bank of Richmond, Va. When

W. M. Addison
FIRST VICE-PRESIDENT AND CASHIER, FIRST NATIONAL BANK, RICHMOND, VA.

the National Bank of Virginia was consolidated with the First National Bank in 1912, he was chosen vice-president of the latter. Besides his connection with the First National, Mr. Miller is also vice-president of the Virginia Trust Co. of Richmond, and a director of the Life Insurance Co. of Virginia. Mr. Addison, the new vice-president, has been connected with Richmond banking affairs since 1894, when he entered the employ of the old Citizens Bank of Richmond. This institution

was later reorganized and operated as the Citizens Exchange Bank; it was consolidated with the National Bank of Virginia in 1899. In 1904 Mr. Addison was chosen cashier of the latter, becoming cashier of the First National Bank in 1912, at the time of the consolidation of the two. Mr. Addison is vice-president of the Virginia Bankers Association.

The First National Bank is now capitalized at $2,000,000 and has surplus and profits of over $1,200,000. In its September 12th statement it showed total deposits of $18,237,492, which have since increased to $21,500,000. Total resources which at the time of the September 12 call were $23,891,922 have since increased to over $26,000,000.

Deposits on October 23, 1915, were $14,869,600. On October 23, 1916, deposits were $21,473,700, which is an increase of $6,604,100, or nearly fifty per cent.

[Mr. Miller's portrait appears as a frontispiece in this number of The Bankers Magazine.]

—Showing remarkable economy in the cost of clearing checks in the Federal Reserve Bank of Richmond, a statement has just been issued by Governor Seay covering the time from July 15 to September 30. During that time the bank handled 776,254 checks, amounting to $305,157,900. The cost per $1,000 in handling this business was $3.18, which is considered very low.

The service charge to member banks based upon actual cost of handling was 1½ cents per item up to August 31. For the month of September the service charge was 1¼ cents per item, the reduction in cost being due to the larger number of checks handled without increase of force.

The daily average number of items handled in September was 13,823, as against an average of 10,502 for the period up to August 31.

The total cost of handling during September amounted to $4,112.88. The service charge at 1¼ cents amounted to $4,031.30.

Governor Seay says his collecting department is now well organized and capable of handling an increase of fifty per cent. in number of items without additional force.

—Rediscounts of the Federal Reserve Bank of Richmond for the month of October will show a decrease in comparison with the preceding month. However, September report was unusually large, the total being $5,270,-045, which was the largest amount of securities handled any one month since the establishment of the bank.

In a statement issued by Governor Seay on October 21 the condition of the Federal Reserve Bank of Richmond was given as follows:

Resources—Gold coin and certificates, $4,567,710; gold settlement fund, $16,981,000; total gold reserve, $21,548,710. Legal tender notes, silver certificates and subsidiary coin, $96,639.22; total reserve, $21,645,349.22. Investments, $60,750; United States bonds, including accrued interest, $1,706,117.89; bills discounted and bought, $5,838,991.92; due from other Federal Reserve Banks, net,

$42,042.60; items in transit, deferred, $8,-430,784.66; all other resources, $42,586.01; total resources, $37,766,622.30.

Liabilities—Capital paid in, $3,324,750; reserve deposits, net, $19,395,774.23; United States Government deposits, $3,418,504.32; Federal Reserve notes in circulation, net, $3,825,820; items in transit, deferred, $7,661,-503.99; all other liabilities, $140,269.76; total liabilities, $37,766,622.30.

Gold reserve against all liabilities, 82 per cent.

Cash reserve against all liabilities after setting aside 40 per cent. gold reserve for Federal Reserve notes outstanding, 90 per cent.

Federal Reserve Notes—Issued, $15,264,-470; on hand, $494,180; outstanding, $14,770,-290; gold with Federal Reserve agent, $10,-944,470; net liability, $3,825,820.

—Bank clearings in Richmond continue to show a remarkable increase, indicating that this city and the South is sharing in the general prosperity that obtains in this country. While it is admitted that bank clearings do not give an accurate estimate of the business of any community because so many checks are not cleared through the clearing-house, but are cashed over the bank counter, at the same time it is conceded to be a fair pulse of commercial conditions of any locality.

In a statement issued by the Richmond Clearing House Association October 19, the clearings to that date of the month amounted to $50,956,003, and for the corresponding date last month $29,139,152, showing an increase of $21,816,851, or seventy-five per cent. This does not include the clearings of the Richmond County Clearing Association, which averages about half a million dollars a day.

The clearings for the month of September, 1916, showed an increase of about seventy-eight per cent. over September, 1915.

Bank clearings in Richmond, according to recent weekly reports, have shown a greater per cent. of increase over corresponding periods last year, than any other big city in the country.

—In a statement recently made public by the state bank examiner, the total resources of the state banks of Virginia is given at $102,249,328, as of the Comptroller's call of September 12. This was an increase of $2,593,438 over the call of June 30, 1916, and an increase of $14,266,385, compared with the call of September 2, 1915.

The total deposits in the state banks, September 12, 1916, amounted to $71,-867,681. This was an increase of $13,-725,975, compared with the call of September 2, 1915.

—Caldwell Hardy, chairman of the board of directors of the Federal Reserve Bank of Richmond, has issued a circular to member banks in the second and third groups advising them that two vacancies on the board will occur, when the terms of John F. Bruton of Wilson, N. C., and James F. Oyster of Washington, D. C., will expire December 31.

The election to fill these vacancies will take place November 21. Mr. Bruton is a Class A director elected by the banking interests, and Mr. Oyster is a Class B director representing business other than banking.

Each bank of the voting groups is required to choose a district reserve elector and to nominate for the vacancy to be filled in its own group. The certification of district electors and nominations for directors must be returned to Mr. Hardy not later than 3 o'clock November 13.

—Efforts to compel stock brokers and bankers to give the names of holders of

Pending the arrival and deposit of definitive securities as above, the Government is to deposit temporarily with the Trust Company either approved New York Stock Exchange collateral or cash.

If the pledged securities depreciate in value, the Government is to deposit additional securities to maintain the 20% margin.

The Government is to reserve the right from time to time to sell for cash any of the pledged securities, the proceeds of sale to be applied to the retirement of notes by purchase or by redemption by lot.

Upon the retirement of the three-year notes, a proportionate amount of the collateral may be withdrawn approximately ratably from each class.

The Government also from time to time may make substitutions of securities, but such substitutions are not to vary the then relative amounts in value of the groups. All substitutions withdrawals and valuations of securities are to be approved by J. P. Morgan & Co.

This offering is made subject to the approval by our Counsel of necessary formalities.

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The Three-Year Notes at 99¼ and interest, yielding over 5.75 per cent.
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Subscription books will be opened at the office of J. P. Morgan & Co., at 10 o'clock, A. M., October 31, 1916, and will be closed at 10 o'clock, A. M., November 8, 1916, or earlier, in their discretion.

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GUARANTY TRUST COMPANY of New York

BANKERS TRUST COMPANY — **FARMERS LOAN & TRUST COMPANY**
New York City — **New York City**

CENTRAL TRUST COMPANY OF ILLINOIS — **UNION TRUST COMPANY**
Chicago — **Pittsburgh**

CONTINENTAL AND COMMERCIAL TRUST AND SAVINGS BANK, Chicago

MARINE NATIONAL BANK — **FIRST & OLD DETROIT NATIONAL BANK**
Buffalo — **Detroit**

New York, October 30, 1916.

marginal stocks and bonds will meet with determined opposition on the part of the brokers who will not, except under process of law, divulge their customers' names or the amount of business they have with them.

The demand for the information from the brokers came from the State Examiner of Records for this district who was apparently justified in his request in a ruling given by the Attorney General of the State.

The State Tax Board also approved the demand of the examiner on the bankers, and it is possible the latter will fight the matter to the highest courts. The Tax Board consists of the Governor of the state, the Auditor of Public Accounts and the chairman of the State Corporation Commission.

Learned attorneys have been retained by the brokers and bankers and a great legal battle will certainly be fought before the brokers will supply the examiner with the information he desires.

—John D. Abbitt of Franklin, Va., has been elected president of the Mercantile Bank of Norfolk, Va., to take effect January 1, 1917. Mr. Abbitt will succeed J. G. McNeal, who will serve as chairman of the board. Mr. McNeal has been president of the Mercantile Bank for about a year, having replaced C. C. Cobb. W. F. H. Enos, vice-president of the bank, will become cashier on January 1, and will retain his membership on the board. Mr. Abbitt has been for the past three years president of the Merchants-Farmers Bank of Franklin, Va., and from 1904 to 1913 served as cashier of that institution. The Mercantile Bank began business in 1904 and it has a capital of $100,000, double the amount with which it first started business.

—Charles B. Lewis, president of the Fourth National Bank of Macon, Ga., and E. W. Stetson, president of the Citizens' National Bank, have announced that negotiations for a merger had been closed between the two banks. The Fourth National takes over the Citizens at a price of $150 a share for the common stock, paying a premium of $50 over the par value of $100 on outright purchase of two-thirds of the stock. The enlarged bank will continue business under the name of the Fourth National Bank and will be headed by Charles B. Lewis as president and E. W. Stetson as chairman of the board of directors. John M. Ross, cashier of the Citizens National, has been chosen assistant to the president of the united bank. The board of the Fourth will be enlarged so as to take over the directors of the Citizens National. The Fourth National had a capital of $300,000, while that of the Citizens was $250,000. Combined deposits total over $6,000,000. The employees of the Citizens National are all retained by the Fourth. The Citizens National started business in 1908 with a capital of $250,000, while the Fourth National organized in 1906 with a like amount of capital.

WESTERN STATES

Chicago

—The West generally is doing an excellent business, at a price basis which seems to insure a good average profit for manufacturers, producers and merchants generally, says the October letter of the National City Bank of Chicago. All the steel mills in this vicinity show increased tonnage, and had they the necessary facilities at hand, it is probable that they could take double the business that they have accepted. Large orders have been given out for bars and plates for delivery next year. There is also a good demand for structural material. It is evident that the railroads will have to pay very high prices for whatever new equipment they purchase this year. Orders from this source have increased of late, but it is evident that an immense additional ton-

nage will have to be provided for. Within the last fortnight, orders for several thousand cars have been received by the equipment companies from American roads, while large additional orders have been given out for the account of foreign roads. It is evident that the steel industry, as a whole, has many months of activity ahead of it. Many of the mills are suffering from an embarrassment of orders and are being compelled to turn down a class of foreign business which they would be glad to take under the conditions of a normal market.

—The crop season now drawing to a close leaves much to be desired, says the October letter of the National Bank of the Republic of Chicago. Adverse conditions in August accounted for a further reduction of 165 million bushels in the prospective yields of the grain crops, as well as a shrinkage of 46 million bushels in the potato output. Hay and tobacco are, in fact, the only important crops that indicate larger results than last year. Cotton production is apparently larger, but the season is not far enough advanced to establish the fact with certainty, as much depends upon the lateness of killing frost. Wheat threshing is about completed and fall plowing is making rapid progress. The wheat crop of 611 million bushels, as is now indicated, or about 400 million bushels below that of last year, does not seem encouraging in view of the fact that our normal home requirements are around 625 million bushels. The exceptionally larger carry-over is, indeed, the only compensating circumstance. Export demand for wheat is heavy and the quantity already shipped abroad this season gives rise to some apprehension lest foreign buying before the next crop drain our reserves below the point of safety. The bulk of the corn crop is now out of danger from frost and present indications point to a total yield of 2,710 million bushels, 345 millions below last year, but nevertheless an average crop. The oats crop, however, has turned out better than the average, al-

though the estimated yield does not approach last year's exceptional showing by 309 million bushels.

St. Louis

—August E. Brooker has resigned as cashier of the Manchester Bank of St. Louis to manage the investments of Sir John Eaton of Toronto. Mr. Brooker had been cashier of the bank since its organization fourteen years ago. Theodore H. Sievert, heretofore assistant cashier, succeeds him as cashier.

—Richard S. Hawes, vice-president of the Third National Bank, and one of the most prominent financiers in St. Louis, was signally honored by the American Bankers Association, which recently held its annual convention in Kansas City.

He was selected by the executive ·l of the American Bankers Association as a member of the administration committee. This is one of the most important committees in the association, as it has charge of all the work of the association between conventions.

It consists of but four members. One is the retiring president, one the newly-elected president, one member "from the East," and one-at-large to represent the Middle and far West.

The new committee is made up as follows: Peter W. Gobel of Kansas City, president of the American Bankers Association; James K. Lynch of San Francisco, ex-president; Charles S. Calwell, president of the Corn Exchange National Bank of Philadelphia, and Mr. Hawes of St. Louis.

Mr. Hawes has long been a member of the committee on finance of the association. To make him eligible for his newly-tendered high office he will be compelled to resign from the finance committee, but will remain as the Missouri representative in the council.

Mr. Hawes was selected owing to his

executive ability and high standing in financial circles, not only in St. Louis, but throughout the country. He has been for many years a prominent member of the Missouri Bankers Association and is regarded as an authority upon all banking matters. Mr. Hawes was felicitated by his many friends in financial circles upon the honor that has fallen to him when it became known in banking circles.

—The Mercantile Trust Company is to erect an addition to its building at the southeast corner of Eighth and Locust streets. The two structures, which will be of classic outlines and which will embrace the west half of this block, thus will form one of the most notable and impressive buildings in the business center.

According to its last statement, the deposits of the Mercantile Trust Company. together with its auxiliary, the Mercantile National Bank, were $37,114,776.56, while their combined surplus was $7,029,486.54, noteworthy as showing the financial resources of St. Louis.

Detroit

—In May, 1884, the Dime Savings Bank of this city began business, and the solid growth it has attained stamps it as one of the very successful banks of the country. Here is the record of deposits on the dates given:

May 1, 1888	$757,840.99
May 1, 1892	1,106,669.19
May 1, 1896	1,818,497.73
May 1, 1900	2,438,599.25
May 1, 1904	3,526,359.10
May 1, 1908	5,390.083.90
May 1, 1912	10,942,641.78
May 1, 1916	25,112,717.11
September 12, 1916	26,910,876.49

—Brother banks—that's what they call the Highland Park State Bank of Highland Park and the Highland Park State Bank of Detroit. Though the

latter is not yet a year old, it is growing so fast that it will soon catch up with its elder brother at the present rate. Its deposits have grown from $2,258,844 on March 30 to $7,627,934 on August 30, and it had 13,396 depositors on the date last named. The remarkable record of the Highland Park State Bank of Highland Park shows a gain in deposits from $234,849 on October 1, 1910, to $17,860,663 on September 12, 1916. This almost tempts one to ask, "Can you beat it?"

—To commemorate its twenty-fifth anniversary the Union Trust Company, which is the oldest institution of its kind in the city, issued a handsomely printed and illustrated booklet, containing an historical sketch of the company, and giving besides much practical information about the descent and distribution of property under the laws of Michigan.

On October 16, 1890, at a meeting of the officers and stockholders of Detroit banks, twenty-three in number, a committee consisting of C. M. Davison, chairman; M. W. O'Brien, Frederick W. Hayes, Thomas Ferguson and George H. Russel, presented its recommendations as to the formation of a trust company. These recommendations were immediately adopted and the Union Trust Company was organized with a capital of $500,000, which was subscribed for by the officers and stock-

UNION TRUST COMPANY, DETROIT

holders of the Detroit banks. The loosely constructed act of 1883 defining the powers of trust companies was considered unsatisfactory, and a legislative committee composed of M. W. O'Brien, chairman; Colonel Frank J. Hecker, Sidney D. Miller, Frederick W. Hayes, George H. Barbour and Henry Russel, was appointed to aid in drafting and securing the passage of the Trust Company's Act of June 12, 1891. That their work was well done is evidenced by the fact that not an amendment has been made since the act was passed.

The Union Trust Company began business in October, 1891.

The stockholders elected as the first board of directors were James McMillan, Frank J. Hecker, David Whitney, Jr., Russell A. Alger, Dexter M. Ferry, M. W. O'Brien, M. S. Smith, Emory Wendell, George H. Russel, Hugh McMillan, Simon J. Murphy, Frederick W. Hayes, C. H. Buhl, James L. Edson, Thomas W. Palmer, Clarence A. Black, Thomas Ferguson, William H. Elliott, William C. Colburn, William L. Smith of Flint, Mich., Sidney D. Miller, Henry B. Ledyard and George H. Barbour. Dexter M. Ferry was elected president.

Offices were obtained first in the Moffat Block and later in the Campau Building. Lack of space available to accommodate the company's rapidly growing business soon necessitated larger and more permanent quarters, resulting in the erection of the Union Trust Building on the northeast corner of Griswold and Congress streets.

The present capital stock of the Union Trust Company is $1,000,000; earned surplus, $500,000, and undivided profits in excess of $165,000.

In connection with this anniversary it is of interest to mention that trust companies in Michigan cannot do a general banking business. Perhaps the fact most noticeable to the average person is that they cannot accept deposits which shall be subject to check like the ordinary commercial bank account. There are various other banking functions which they cannot exercise, the distinction between banks and trust companies being especially marked in Michigan. In New York, Chicago, Boston and in most of the other large cities of the country, the strictly trust company features to which Michigan trust companies are limited are but a part of the service offered by the trust companies.

The millions of dollars of trust funds handled by Michigan trust companies do not appear in their published statements of condition to bring their footings up to the impressive totals of the institutions which do both a banking and a trust business. These funds are not deposits, and their amount is known only to the trust company officials. For this reason the published statements give no hint of the growth of the trust company business in Michigan.

Officers of the Union Trust Company are: Henry M. Campbell, chairman; Frank W. Blair, president; Gerald J. McMechan, vice-president and secretary; Charles R. Dunn, Hobart B. Hoyt and John N. Stalker, vice-presidents;

Alexander C. Long, trust officer; W. T. Bradford, treasurer; Charles E. Clark, assistant treasurer; Charles N. Crosman and Joel H. Prescott, assistant trust officers; Merrill C. Adams and Harry Slater, assistant secretaries; Charles H. Moore, manager of bond department; B. H. Manning, real estate officer; Israel T. Cowles, manager abstract department; Gilbert R. Osmun, custodian safety deposit vault; Campbell, Bulkley & Ledyard, general counsel.

Kansas City, Mo.

—On October 1 the Commerce Trust Company was ten years old. In the first decade of its life this company has shown a wonderful growth. Beginning on its opening day in 1906 with deposits of $15,000, the institution now holds deposits of approximately $23,000,000, an increase of $22,985,000.

When it opened for business at 925 Walnut street it occupied a modest store room with a twenty-five-foot frontage. Now it is in its own building, the Commerce Building, at Tenth and Walnut streets, where it has been for several years. Dr. W. S. Woods, for years at the head of the National Bank of Commerce, was the first president, being succeeded by W. T. Kemper, who now heads the bank. Henry C. Schwitzgebel has been with the company as its secretary since the beginning. When the institution opened it had four employes, including officers. Now it has 125 employes, exclusive of officers.

—There are one or two points of exceptional interest in the statement issued by the First National Bank of Kansas City. In the first place, the "capital stock" is divided into "paid in" $250,000 and "earned" $750,000—the latter representing a stock dividend. There are also surplus "earned" $1,000,000 and undivided profits "earned" $1,388,242. Deposits (Sept. 12) were $41,137,841. Cash and sight exchange, $24,214,724, indicating that the bank is carrying a high reserve in these times of easy money, thus being in a position to take advantage of a possible time of higher rates.

—In a series of sketches, entitled "Our Directors," the Commerce Trust Company of Kansas City gives the

DR. W. S. WOODS

DIRECTOR COMMERCE TRUST COMPANY, KANSAS CITY, MO.

Dr. Woods was born in Rockport, Mo., in 1841. In his early years, he practiced medicine at Middle Grove, Mo. Organized the Rockport Savings Bank in 1868 and managed it for fifteen years.

In 1881 he became associated with the Kansas City Savings Association, later, the National Bank of Commerce.

In 1906 he organized the Commerce Trust Company and became its first president. Dr. Woods retired in 1908 and spends most of his time in California, but still claims Missouri as his home.

above condensed biography of Dr. W. S. Woods, one of the well-known bankers of the Southwest, now retired.

Twin Cities

—The total deposits of the Minneapolis banks at date of call, September 2, 1915, says the "Northwestern National Bank Review," were $103,000,000, and at date of corresponding call

September 12, 1916, nearly $136,000,000—an increase of about $33,000,000. The deposits of St. Paul banks, September 2, 1915, were $73,000,000; September 12, 1916, $100,000,000—an increase of $27,000,000; the increase for the Twin Cities being a total of $60,000,000. This speaks volumes for the prosperity of the Northwest and its ample ability to sustain without inconvenience the loss of revenue following the adverse conditions affecting what has been one of its principal crops. Owing to the continued agitation for diversification of crops and the increasing interest in raising livestock, wheat farming is becoming from year to year a less important factor.

Throughout a considerable portion of our territory the prospects are excellent for returns from the corn crop; there is abundant feed for livestock, and it is not unlikely that more will be realized from the wheat and other small grains than has been anticipated.

MARK SKINNER
-PRESIDENT FIRST NATIONAL BANK, ST. PAUL, MINN.

—Mark Skinner, formerly vice-president and manager of the Commercial National Bank, Great Falls, Montana, has been made vice-president of the First National Bank of St. Paul and entered on his new duties October 2. Mr. Skinner has a wide acquaintance throughout the Northwest, and for several years has taken an active and aggressive part in financial affairs in Montana. He entered the employ of the First National Bank of Great Falls as a clerk some twenty years ago, remaining with that institution until elected cashier. He resigned from that position to found the Commercial Bank and Trust Company of Great Falls, which was organized as a state bank. Within a few days of a year from its opening, this bank showed footings of more than a million dollars, a remarkable record for a new bank in a city the size of Great Falls, which already had four vigorous and healthy financial institutions. Today the deposits of the bank founded by Mr. Skinner are almost a million and a third.

Mr. Skinner has long been one of the active leaders in the Montana Bankers Association, and for four years he was secretary-treasurer of the organization.

—This year marks the semi-centennial of the Omaha National Bank. In its fifty years of service the bank has grown to a position of first importance in the city. The September 12 statement showed: Capital, $1,000,000; surplus and profits, $1,082,596; deposits, $19,415,806; total resources, $22,513,499.

It is interesting to contrast with these figures some others, taken from the bank's first quarterly report, and bearing date of October 1, 1866. They show: Capital, $50,000; due banks and bankers, $554.48; deposits, $120,115; profit and loss, $4,221; total resources, $219,890.

From $219,000 to $22,000,000 is a big gain, even for fifty years, and evidences the progressively sound character of the management of the Omaha National.

—The deposit growth of the First National Bank of Davenport, Iowa, is shown by the following table:

December 31, 1906	$1,081,620.64
December 31, 1907	1,133,682.12
December 31. 1908	1,249,111.30
December 31, 1909	1,234,329.96
December 31. 1910	1,403,200.89
December 31, 1911	1,983,920.95
December 31, 1912	2,140,192.21
December 31, 1913	2,317,116.36
December 31, 1914	2,207,851.92
December 31, 1915	3,059,605.52
September 12, 1916..........	$3,149,323.95

—One of the most attractive branch bank buildings in Cleveland was opened when the doors of the Gordon branch of the Garfield Savings bank, East 79th street and St. Clair avenue N. E., were recently opened to the public for the first time.

Steady growth has characterized this branch, which was first opened on June 17, 1907, in a building then located at East 72d street and St. Clair avenue. With each passing month was brought the realization of the growing need of new and enlarged quarters.

With the Gordon branch, the Garfield has six banking houses, each located in a strategic financial position. H. H. McKee is cashier of the Gordon office.

—At a recent meeting of the directors of the Lake County National Bank of Madison, S. D., Thomas A. Wadden was elected to the position of vice-president.

Mr. Wadden is very well qualified to meet the responsibilities of his new office. He graduated from the University of Michigan in 1915 and in 1916 spent one year in the law department of Harvard University. Later on he spent several months in the bond department of Wells-Dickey & Co., at Minneapolis.

PACIFIC STATES

Spokane

—This city was the Mecca for bankers from all over the state on October 5 when practically all officials, the

executive council, the committee chairmen of the Washington Bankers Association met here. The occasion was the first meeting of the new executive council. After the executive council adjourned, the bankers went to the banker-farmer convention at Washington State College, Pullman, October 6-7. The attendance of bankers and farmers at this convention was large.

Through their executive council, bankers of the state at the Spokane meeting went on record in favor of placing building and loan associations under the supervision of the State Banking Department, adopted a report discouraging the establishment of branch banks in the same city and county, and chose Spokane for the next convention of the Washington State Bankers Association fixing June 21, 22 and 23 as tentative dates.

At the meeting of the executive council the fact was emphasized that it is the practice of banks in the larger cities, particularly in Seattle, to establish banks in the outlying districts of the city and county. This practice was discouraged, the council taking a stand against it.

E. E. Flood, of the Exchange National Bank of Spokane, reported on the work of the agricultural and vocational committee of the state association. Mr. Flood, who is chairman of this committee, said it had accomplished more this year than ever before. A feature of this committee's report was a recommendation that farmers keep accurate expense accounts which will be of material help to farmers, particularly when they come in consultation with their bankers.

Among the bankers in the city in connection with the meeting were: Ralph S. Stacy, president National Bank of Tacoma, president of the state association; Joseph A. Swalwell, vice-president National Bank of Commerce, Seattle, vice-president of the state association; W. H. Martin, cashier Security State Bank, Ritzville, secretary; O. M. Green, vice-president Exchange National Bank of Spokane, chairman of the state association executive council; W. E. Hanson, State Bank Examiner; J. C. Johnson, cashier Almira State Bank; Fred Haupt, cashier First National Bank of Ritzville; John P. Duke, cashier Security State Bank of Palouse, chairman of the tax committee; C. W. Johnstone, cashier Washington National Bank, Ellensburg; J. T. McVay, president Metropolitan Bank, Seattle; W. H. Pringle, vice-president Scandinavian-American Bank of Tacoma and chairman of the legislative committee; E. E. Flood, chairman of the committee on agricultural and vocational education; A. R. Traux, assistant cashier Seattle National Bank; H. C. Lucas, president Yakima Trust Co.; G. W. Peddycord, president Bank of Colville; N. E. Whitworth, president Commercial Bank of Okanogan; H. W. Van Slyke, cashier Miners and Merchants Bank, Chelan, and Frank M. Kenney, cashier Olympia National Bank, Olympia.

O. M. Green was reëlected chairman of the executive council and W. H. Martin, secretary.

The matter of codifying the state banking laws was referred to the legislative committee. The question will be presented to every banker and legislator and will be pressed as a matter of legislation at the next session of the legislature.

The council voted to appropriate money to have printed 2,000 copies of a farm account book along the lines suggested by the Federal Department of Agriculture and the faculty of the State College of Washington. These will be distributed throughout the state to encourage better accounting methods on the part of farmers and thus stop leaks and losses and do away with haphazard systems.

The visiting bankers were the guests of the Spokane Clearing-house Association at luncheon at the Spokane Club. M. B. Connelly, president of the Washington Trust Co., presided and twenty-nine bankers attended. The visitors were entertained at golf and on automobile drives and at dinner informally in groups.

Friday and Saturday, October 6-7,

the bankers were hosts to farmers at the State College. Calling the banker-farmer convention to order, E. E. Flood told the farmers and bankers that the time had come for them to get closer together. Both, he said, are interested alike in legislation, taxation, live stock, diversified farming and like problems.

E. T. Coman, of the Exchange National Bank of Spokane, and State College regent, advocated a coöperative movement of farmers, bankers and business men. Mr. Coman was opposed to the suggestion of a bank guarantee law, saying that such a law had failed in other places.

W. H. Paulhamus, of Puyallup, leading fruit man, declared that the farmer should be able to get money as cheaply as the lumberman. He said this convention should teach the banker to know the farmer better and the farmer to know the banker better. Mr. Paulhamus said the great drawback to the farming interests to-day is that the bankers and farmers do not know each other well enough. The farmer, he said, should realize the importance of paying his notes when due and should not be afraid of the banker.

H. R. Smith, formerly of the University of Minnesota, and now live stock expert for the Great Northern Railway, spoke as a substitute for L. W. Hill, chairman of the board of directors of the Great Northern. Mr. Smith said Mr. Hill was a firm believer in the promotion by the banks of the live stock industry. He advocated giving more attention to the expansion of this industry, declaring that where banks give much attention to the live stock industry deposits always show a marked increase.

The domestic science class at the college served luncheon and dinner for the bankers and farmers. Talks were also made by J. C. Cunningham of Spokane, William Goodyear of Pullman, and T. J. Newbill of the State College faculty.

—At a banquet given by the officers to the staff of the Old National Bank of Spokane the passing of the $15,000,000 milestone in deposits was celebrated.

August Paulsen, director, told the story of his first bank deposit, which was with the Old National when he was a boy, and consisted of $20. J. H. Tatsch, manager of the foreign department, read a newspaper clipping of October 10, 1904, giving the story of a similar dinner by the Old National to celebrate the attainment of the $3,000,000-mark in deposits.

D. W. Twohy, president of the bank, was toastmaster and thanked the clerical staff for its coöperation and loyalty in the institution's service. E. P. Randall, president of the bank's fellowship club, responded.

Among the speakers were T. J. Humbird, vice-president; W. D. Vincent, vice-president; J. D. Porter, August

Paulsen, W. J. Kommers, J. P. McGoldrick and J. A. Yeomans. Mr. Vincent had just returned from the annual convention of the American Bankers Association at Kansas City, where he was elected president of the clearing-house Section, the highest honor conferred by the association on a Westerner, and he was given a rousing reception.

A feature of the banquet was the first appearance of the Old National Glee Club, a new organization of twenty men who had been rehearsing secretly under the direction of George Greenwood, assistant cashier.

The banquet was attended by seventy-six persons, including the young women of the clerical force. The tables were set in quadrangular form. In the center of the decorations was a pyramid, table high, made up of actual money bags from the big banks of the world, surmounted by a huge cardboard bearing the figures, "$15,000,000."

—For the first time in the history of the institution, deposits of the Spokane and Eastern Trust Co. at the close of business October 4, passed the $11,000,000-mark, the exact figures being $11,063,000. In a little more than three weeks since the last call, September 12, deposits increased $1,229,060. W. W. Triplett, assistant secretary, said that money has been pouring in as never before in the bank's history.

"The high point has not yet been reached," said Mr. Triplett. "Money is continuing to pour in. This is practically all new wealth produced in the wheat fields and the mines.

"Up to a few days ago most of the wheat money was used in paying off obligations incurred in handling the crops. These debts have been paid and the wheat money is now largely 'velvet.' Country bankers report that not more than thirty-five per cent. of the 1916 crop has been sold, so it is reasonable to expect deposits to go still higher."

—I. M. Busby, president of the First National Bank of Coeur d'Alene, Idaho, recently resigned and was succeeded by A. A. Crane, formerly principal owner of a bank at Harrison. This interest he recently disposed of. Mr. Crane has been a resident of Kootenai county for more than a quarter of a century, is a large property owner in the county, an owner of stock in the big Interstate-Callahan mine near Wallace, Idaho, and is interested in other corporations. Mr. Crane will make his home in Coeur d'Alene. He was elected to the board of directors in place of Mr. Busby. E. A. McCarthy was also elected to the board of directors, which now is composed of the following: J. C. White, of the Red Collar Steamship Co., Coeur d'Alene; Joshua Peterson, real estate dealer, Coeur d'Alene; W. J. Boothe, realty dealer, Coeur d'Alene; E. R. Whitla, attorney, Coeur d'Alene; T. H. Brewer, president of the Fidelity National Bank of Spokane.

—Sixteen months ago the Exchange National Bank of Coeur d'Alene took over the First National Bank of that city. It has a capitalization of $100,000 and is the only national bank in Coeur d'Alene.

Portland

—A plaster model prepared by Ernest Thomas showing what the United States National Bank building is to look like after its completion on the northwest corner of Sixth and Stark streets, has been attracting large crowds to the display windows of one of the local stores, where it has been on exhibition. Excavation has virtually been completed on the site of the new building and work on the framework will be commenced in the near future. The exterior of the building is to be terra cotta of a light brown shade never before used in Portland. The new structure is to be four stories high, the two upper floors to be devoted to office purposes. The building is to cost about $275,000 and may not be completed and ready for occupancy for more than a year.

San Francisco

—The following figures illustrating the banking growth of San Francisco during the past six years can be analyzed from several angles, says the American National Bank of San Francisco in a recent trade letter:

	Capital Employed	Loans and Discounts	Total Liabilities
June 30, 1910	$79,676,942	$237,670,755	$441,470,137
June 4, 1913	84,396,262	281,447,423	494,604,585
June 30, 1916	84,177,130	313,108,807	614,566,491

Loans and discounts have increased nearly 32 per cent., total liabilities 39 per cent., and capital employed a trifle over 5½ per cent.

On June 30, 1910, the percentage of capital employed to liabilities was 18, while on June 30, 1916, it had declined to 13.7 per cent., although at the latter figure San Francisco's banks are better proportioned than the national banks of New York City, which combined show capital employed at 10.6 per cent. of liabilities.

Honolulu

—The Trent Trust Co., Ltd., has shown the following increase in resources since 1907:

1907	$66,515
1910	176,912
1913	266,776
1916	500,734

CANADIAN

—The honor of a baronetcy has been conferred upon H. V. Meredith, president of the Bank of Montreal.

Next year Sir Vincent Meredith will have passed fifty years in the service of the bank in which he now holds the highest post, his coming to that institution coinciding with the imperial proclamation which made the four older provinces the Dominion of Canada. Sir Vincent's advent to the presidency of the bank constitutes the unique instance in the history of the bank where a junior has risen to the position of president, for the baronet was but a lad when he entered the service of the institution in Hamilton, Ontario, then a small and unimportant place compared with its position as a manufacturing city to-day. There have been men who, scaling the lower rungs of painstaking and able service, have in time reached the vice-presidency of the Bank of Montreal, but Sir Vincent is the first in the history of the time-honored institution who has enjoyed the distinction of beginning as a junior and in time reaching the highest position in the gift of its directors.

He became manager at Montreal in 1889, and assumed the title of assistant general manager in 1903, becoming a director of the bank in 1910. In December, 1911, Sir Vincent was appointed general manager and vice-president, the following year reaching the presidency and position of chief executive officer in 1913.

Sir Vincent's energies and the large part he takes in public affairs is evidenced by the fact that he is also president of the Royal Trust Co., president of the Royal Victoria Hospital, president of the Art Association of Montreal, a governor of McGill University, chairman of the Canadian board of the Royal Exchange Assurance Co. of London, England; a director of the Standard Life Insurance Co. of Edinburgh, Scotland; a trustee for the Mackay companies, a director of the Commercial Cable Co., and interested in numerous charities and civic bodies.

—Despite the war and the demand for war loans the Canadian people are evidently saving money. In the August bank statement, which was recently

issued, there was an increase of $28,-869,855 in savings as compared with the month of July.

The national debt has grown by $330,000,000 since the war began. Meanwhile the savings in the Canadian chartered banks have increased by $250,000,000, or $80,000,000 less than the increase in the debt. Notice and savings deposits aggregated $1,250,-091,962, an increase of nearly $30,000,-000 in the month and of $223,489,162 in the year. Back in August, 1914, when the war started savings totaled $998,383,589. The increase is $251,-708,393.

The finance department offers several reasons for the growth of savings. Economy and thrift are being persistently urged and evidently practiced. At the same time war expenditures in the country are heavy and money from the purchase of munitions flows in.

—The Royal Bank of Canada has arranged to take over the Quebec Bank, which will place the Royal second among Canadian banks in point of deposits and total assets. The formalities of the merger have not yet been consummated and the actual consolidation will not take place until next year. Under the terms of the merger the combined capital of the Royal will be $12,-911,700, total deposits about $204,000,-000 and total assets about $260,000,000. The Quebec Bank, which has been in existence nearly one hundred years, had fifty-four branches in Canada and except where duplications occur, the Royal Bank will maintain them as heretofore.

—At a recent meeting of branch managers of the Merchants Bank of Canada, D. C. Macarow, general manager, referred to the fact that the bank's assets had passed the century mark in millions, having reached the high total of $104,000,000. This had been done under conservative management and without the absorption of any other institution. Mr. Macarow, who succeeded E. F. Hebden as general manager, when the latter became managing director, came to the bank thirty-two years ago and has served in every capacity. At the time of his recent advancement to the general managership he was manager of the Montreal office.

PHOTO BY CHAPLAIN STUDIO, N. Y.

D. C. MACAROW
GENERAL MANAGER, MERCHANTS BANK OF CANADA

New branch offices opened by the bank recently include those at Almonte, Ont.; Grand'mere, Que., and Peace River Crossing, in the Peace River District, Alberta.

—The Canadian Bank of Commerce has appointed E. L. Stewart Patterson, formerly assistant general manager of the Eastern Townships Banks, which was absorbed by the former superintendent of the Eastern Township branches, including all Quebec except Montreal. New branches have been opened by the bank recently in Thorold. Ont., and in the new towns of Pouce Coupee, B. C.; Many Berries, Southern

Alberta, and Speers, Saskatchewan. The total assets of the Canadian Bank of Commerce are now in excess of $253,000,000. Like all the banks of Canada the war has made heavy inroads in the staff and over sixty per cent. of the male staff between 18 and 45 years, and fifty per cent. of the entire male staff have enlisted. On October 1 sixty-five of the men had been killed and 127 wounded. The bank has made liberal provision for reemployment of the men who return to Canada at the close of the war.

—The Standard Bank of Canada has recently opened a new branch office at Coalhurst, Alberta, in the coal district. The total deposits of the Standard are running at this time to nearly $48,000,000 and the total assets to $56,000,000.

—The latest statement of the Dominion Bank of Canada disclosed total assets in excess of $88,800,000 and deposits exceeding $68,800,000.

—The Molsons Bank reports steady gains in deposits, coincident with the general prosperity of the country. At the present time, with capital of $4,000,000, rest of $4,800,000, the bank has total deposits of $45,500,000 and assets of $60,000,000.

—The Bank of Ottawa, the only bank having its head office in Ottawa, was established in 1874 and is forty-two years old. It has ninety-five offices throughout the Dominion, of which sixty-four are in Ontario, twelve in Quebec, ten in Saskatchewan, seven in Manitoba, one in Alberta and one in British Columbia. The bank has capital of $4,000,000, rest $5,000,000 and total assets now about $56,000,000.

—A statement of the Bank of Nova Scotia, compiled August 31, 1916, showed a total of deposits of $84,847,175 and total assets of $112,163,841. At that time the reserve fund and undivided profits stood at $12,924,554, with capital of $6,500,000. Over four hundred of the bank staff of 1,200 have enlisted for the war.

—The Bank of British North America has recently appointed an advisory committee in Montreal, consisting of Sir Herbert B. Ames, M.P.; W. R. Miller, Esq., and W. R. Macinnes, Esq.

—Beaudry Leman, general manager of the Banque d'Hochelaga, reports highly satisfactory business conditions in the section of Canada in which the bank does business. With generally high prices and strong demand the agricultural, paper and lumber industries are enjoying great prosperity. The bank has opened several new branches recently. The capital of the bank stands at $4,000,000, rest $3,700,000, and total assets $40,600,000.

—The Banque Nationale of Quebec has made a large increase in deposits during the past year, the total now being over $24,700,000, with assets of

$32,500,000. It is an interesting fact that the deposits of the Paris office of the bank, which was opened a few years ago, are now more than 2,000,000 francs larger than they were before the war. The Banque Nationale has 223 offices in the Province of Quebec, of which seventy-nine are branches and 144 sub-agencies.

—The Banque Provinciale du Canada has opened a new branch office at Fraserville, Que., and will also open offices in Bathurst, N. B., and in Tilbury, Ont. The assets of the Banque Provinciale are now about $13,000,000.

—"For the time being Canada is able to borrow abroad on terms more favorable than any other belligerent nation," says the Canadian Bank of Commerce, "and on terms as favorable as any neutral nation, a position due to the recognition of the unexpectedly important part she continues to take in supplying the needs of the Allies from her own resources. At the moment, therefore, her commercial prosperity is unusually great, but it is recognized by the far-seeing as being uncertain and temporary. Events at the front are of such character as to inspire confidence in the ultimate success of our arms, but this success can be attained only by marshalling all our forces, whether of men, or material resources or of credit. To use the credit of the nation, or that of our provinces or cities, to obtain any unessential thing, or to carry on any but absolutely necessary work, would indicate lack of earnestness in our co-operation with our Allies. In the United Kingdom, in France, in Russia and in Italy, not only by law but by voluntary sacrifice—the true gauge of patriotism, economy and thrift are recognized as being factors as important in defending our civilization as our arms. Until in Canada there is manifested the same earnestness in saving our dollars and in eliminating unnecessary work and expenditure, it cannot be said that the nation is taking its full part in the greatest duty that has ever fallen to its share. It is reported that considerable purchases of Anglo-French war loan bonds have recently been made by Canadians. Such action is at variance with the expressed wish of the Minister of Finance that Canadian funds should not be used for that purpose, and is, therefore, to be deprecated."

New Counterfeit $5 Federal Reserve Note

THERE has appeared on the Pacific Coast a poorly made counterfeit of the $5 Federal Reserve Note on the Federal Reserve Bank of San Francisco, Cal. It bears check letter "C"; face plate No. 4; John Burke, Treasurer of the United States; W. G. McAdoo, Secretary of the Treasury; portrait of Lincoln.

This counterfeit is apparently printed from zinc etched plates, poorly executed. The note is more than a quarter of an inch longer and a trifle wider than the genuine. It bears red and blue ink lines in imitation of the silk fiber of the genuine. All of the notes so far seen bear number L339351A. The portrait of Lincoln and the lathe work are very poorly executed. The note should be readily detected.

Five persons have been arrested for passing these counterfeits.

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PHOTO BY FIRIE MCDONALD, N. Y. C.

H. P. Davison

J. P. MORGAN & COMPANY, NEW YORK CITY

[See statement by Mr. Davison in International Banking and Finance Department in this number.]

THE
BANKERS MAGAZINE
ELMER H. YOUNGMAN, Editor
SEVENTIETH YEAR DECEMBER 1916 VOLUME XCIII. NO. 6

The Election

OUR quadrennial agony over the selection of a Chief Magistrate is ended. President Wilson retains the office.

Few Presidential contests in the history of the country have been so close. In a total popular vote estimated at over 15,000,000 it is calculated that had 20,000 votes been shifted to the doubtful States the result would have been different.

That the election should have been so close need occasion no surprise. There was no real issue at stake in the campaign and no substantial difference between the candidates. The Republican party had a supreme opportunity to take a stand exactly opposite to the policies of the President and to nominate the man who unmistakably represented that opposition. That man was Theodore Roosevelt. But instead Mr. Hughes was chosen. At the time Mr. Hughes was dragged rather willingly from the cloistered seclusion of the Supreme Court, so far as the public were advised, he had no particular views on the great questions of the day. He might, so far as anyone knew, even have out-Wilsoned Wilson in his keenness for a conciliatory handling of the country's foreign policy. But evidently the Republican party did not care for this. It wanted to win and thought the best chance of doing so was by the selection of a colorless candidate. That is, at an hour when some of the great nations of the world were in the agony of their death struggle, when our own people had been slaughtered on the high seas and in Mexico, and when if ever in the history of this Republic there was a demand for a man who represented the soul of America, the Republican party—the party of Lincoln, and that freed the slave and saved the Union—deliberately sneaked away from this matchless opportunity and nominated a candidate who, so far as the public knew, was absolutely without a single conviction on these supreme issues, and whose feeble utterances in the campaign were the amusement of his political enemies and the amazement of his political friends.

All this does not mean that Mr. Roosevelt would have been

elected. But it does mean that we should have had a decisive verdict. Mr. Roosevelt either would have been decisively elected or decisively beaten, for the policies and principles he represented were directly antithetical to those of the President. But between the policy actually followed by the President and the "firm" policy which Mr. Hughes so often declared in his speeches that he favored, there was no real difference. That is the only possible inference to be drawn from the closeness of the vote.

It is to be hoped that the country has witnessed for the last time the spectacle of a Justice of the Supreme Court of the United States leaving that dignified position—the most eminent in the world—and mixing in the mire of party politics. What a spectacle was presented in the campaign, where a former Justice of this high tribunal, being "heckled" by the crowd, was compelled in a political speech to defend the court's decisions.

Mr. Hughes, like Mr. Chase, found the Supreme Court of the United States insufficient for his political ambitions. Both were defeated. Let us hope that henceforth it shall be fixed by law that no man who has taken the oath of Justice of the Supreme Court of the United States shall be given further political preferment. The man who is not content with that great honor cherishes an ambition that may become dangerous to our institutions. The ultimate temple of American justice should forever be kept free from invasion by the spirit of party politics.

The Democratic party gets cold comfort out of its narrowly won victory. A margin of 200,000 or 300,000 votes out of a total of more than 15,000,000 is nothing to boast about. The American people are not a bit enthusiastic over Mr. Wilson's Administration. If they had seen any prospect of a real reversal of his policies, they would doubtless have entrusted power to the Republican party.

Some profess to see in the campaign a new political alignment wherein the West and the South will become yoke-fellows. No doubt there has been for some years a growing feeling of dislike in the West toward certain phases of Eastern prosperity, and this feeling has been intensified by the tremendous profits made by the East out of the trade in war munitions—profits in which the West shared but little. But, on the other hand, the West has profited immensely by the rise in grain.

It is likely that Mr. Bryan was a greater factor in the election than many realize. True, he took an inconspicuous part in the campaign, and was heard from but rarely. But Mr. Bryan, on the stump, and at the Chautauquas, has been declaiming against Wall Street for a quarter of a century or more without let-up. While as an officeholder Mr. Bryan is more or less of a joke, as a leader of political opinion he is still immensely powerful and popular. He has succeeded in attaching the "Wall Street" stigma to the Repub-

lican party, and President Wilson has followed his example in charging that there is an alliance between the party and the great financial interests.

Some phases of the recent campaign were amazing. The silence of the Republicans on the "great constructive policies" of the Democrats is a case in point. In one of his speeches Secretary McAdoo made the statement that the Federal Reserve Act had more to do in bringing about our present prosperity than all other causes combined. Other speakers, including the President, lauded this measure as one which delivered the people from the bondage of Wall Street. The Republicans, including Mr. Hughes, were silent. And yet anyone familiar with the facts knows that had Wall Street drawn this measure itself and had been entrusted with its administration, it could not possibly have given to Wall Street any greater advantage than it has had under the Federal Reserve Act.

So far as the country's future is concerned, it may be expected that matters will continue about the same as heretofore, though the foreign situation is still charged with dangerous possibilities.

In the result of the election, as definitely and finally ascertained through the prescribed forms of law, all Americans will patriotically and cheerfully acquiesce, and men of all parties will unite and work together for the coming four years for the prosperity and welfare of the country.

IS A NEW SPIRIT EMERGING IN AMERICA?

IN the pages of this MAGAZINE the question of the decline in the American spirit has been raised. It has seemed that the patient endurance of the people under great wrongs has indicated a lack of spirit if not complete moral flabbiness. We have submitted to the confiscation of the property of Americans in foreign lands and have taken no action, and our dead lie at the bottom of the sea, without spurring us to any act of retaliation. By our supineness in the face of these wrongs we have gained the world's contempt. It is assumed that we have declined to act because we are so occupied with the making of money that we did not wish to do anything that interfered with our prosperity. Is this judgment just? The nations at war would like to have us playing at their game. They are bankrupting themselves and decimating their population for their national existence, as they claim, and in behalf of the other nations whose lives are threatened. That we do not see the conflict in ex-

actly the same light as they view it causes them to denounce us as being sunk in the sordid accumulation of wealth.

This MAGAZINE, while not believing in war, has nevertheless thought that we should have taken some prompt and decisive action in the face of certain events that have happened. The American spirit has seemed to us to have declined in the face of the things to which we have quietly submitted.

But is this view correct? Is the old spirit that governed the world giving way to a new spirit that is emerging here in America? Have we wisely kept out of war, not for our own ease and comfort, but so that we may be in a position, when the hour strikes, to offer healing offices to the sorely stricken nations abroad? The nations at war, in the blind heat of the passions of the moment, resent this view. They have heard of Mr. Pecksniff. But shall they go on so far toward the goal of ruin and desolation that they will see at last that we are sincere; that we have kept our minds unclouded by hate while all the world was embittered and madly trying to destroy one another? Does it seem too much to hope that at last a new law shall come to govern the action of chancelleries as it has already come to rule in the lives of individuals in their relations with one another? It would be more reassuring if all this talk had not been heard before the war began. But may not all its cost in blood and treasure bring home the lesson that the world would not or could not learn before?

To those of us who love America, who have learned to reverence its institutions and to be proud of its history, the accusation that we have declined to become embroiled in war solely because of the love of ease and luxury comes with stinging force. Is there not a nobler explanation? May not there have come here in the new world a clearer realization of the substantial unanimity of the human race and a better preparation for that day when men are in reality to live on the earth as brothers? If this seems a far-fetched deduction while the world is in arms and we are holding aloof, may it not be possible that the very fact that we have kept out of the conflict, and the very magnitude of the awful struggle, preclude any other explanation?

Does anyone familiar with the great West imagine that California and Colorado and Utah and Idaho and Montana, Nevada and New Mexico voted for Mr. Wilson because his "keeping us out of war" had insured to them a life of softness and of ease? These mountaineers are a hardy lot, and they have not lost their old-time spirit. Their Americanism cannot be challenged.

Events of great moment are taking place in the world. Interpreted in the light of these events, the recent Presidential election in the United States may be of momentous significance. It seems like arrogating to ourselves virtues which we do not possess in even

hinting that ours is to be the high destiny of bringing the balm of healing counsels to the war-afflicted world. But we have endured insult and outrages unspeakable without taking up the sword, and that course has been approved by the electorate. Are we in truth "too proud to fight," or are we practicing a noble self-restraint that we may in the end come with clean hands into the tribunal of nations that must shortly assemble for the restoration of peace?

OUR SWELLING CIRCULATION

SINCE January 1, 1879, the per capita circulation of money in the United States has advanced from $16.92 to $41.18 on November 1 last. It will be interesting to compare the kinds of circulating medium contributing to this increase, as shown in the accompanying table:

Circulating Medium.	Money in Circulation. Nov. 1, 1916.	Jan. 1, 1879.
Gold coin (incl. bullion in Treasury)	$ 650,123,528	$ 96,262,850
Gold certificates	1,562,373,319	21,189,280
Standard silver dollars	70,351,734	5,790,721
Silver certificates	479,021,918	413,360
Subsidiary silver	180,534,963	67,982,601
Treasury notes of 1890	2,049,231	....
United States notes	341,703,873	310,288,511
Federal Reserve notes	236,251,605	....
Federal Reserve Bank notes	10,888,860	....
National Bank notes	707,863,158	314,339,398
Total	$4,241,162,189	$816,266,721
Population of continental United States estimated at	103,002,000	48,231,000
Circulation per capita	$41.18	$16.92

On the first of January, 1879, the date of the resumption of specie payments, the gold coin and bullion as reported in circulation was below $100,000,000; now it exceeds $650,000,000, while the certificates have risen from $21,000,000 to $1,562,000,000; silver certificates have increased from less than half a million to nearly half a billion; United States notes remain practically the same, their volume being fixed by law; national bank notes have more than

doubled, rising from $314,000,000 to over $700,000,000. A new form of Government paper, the Federal Reserve Notes, now figures in the circulation and to the extent of $236,000,000, but these notes are at present secured by over $200,000,000 of gold. The total money in circulation was on January 1, 1879, $816,266,721, and on November 1, 1916, $4,241,162,189.

It is seen that notwithstanding the weakening of our currency by the infusion of silver, the circulating medium of the country has been vastly improved since the resumption of specie payments; that is, while we have injected nearly half a billion of silver and nearly $400,000,000 of bank notes into the circulation, the increase in the gold has been so great as to make the currency far better than it was in 1879. Then out of a total circulating medium of $816,000,000 only $117,000,000 was in gold and gold certificates, or about 14.3 per cent., while now out of a total circulation of $4,241,000,000 the gold is $2,212,000,000, or about fifty per cent. There is really more gold value than this back of the circulating medium, for the silver is worth at least half its nominal value in gold. Perhaps it is somewhat misleading to say that this gold is "back of the circulating medium." That is actually so only with respect to the gold back of the certificates (one hundred per cent.) and that held as a reserve against the greenbacks (about fifty per cent.) and the gold held against the Federal Reserve notes (about eighty per cent.). But strong as these percentages of gold undoubtedly are, they do not take account of the $700,000,000 of national bank notes, substantially unprotected by a gold cover. Taken as a whole, however, the fiduciary circulation of the United States is well protected by gold reserves.

For many years a regular campaign was carried on by those who held that the prosperity of the country was in direct ratio to the per capita circulation of money. It was the apparent validity of this contention that so long sustained the free-silver propaganda. The present era of prosperity, coinciding as it does with an unprecedented per capita circulation of money, will be regarded by many as proof positive of the theory that a large per capita circulation and prosperity are interconvertible terms. The fact is that some countries with a large circulation of money are not specially prosperous, while others with a small circulation are; on the other hand, some countries having a large circulation are notably prosperous, as was the case with France prior to the war. Great Britain prospered on a scant monetary circulation. In France the circulating medium was bank notes largely, these being issued in small denominations, while in England bank notes were of large denominations (generally speaking), the real circulating medium being bank checks.

Here in the United States, while the bank check is largely used,

we seem to require a vast amount of "money," and are especially fond of a variety.

It is said that the Federal Reserve Board at Washington is becoming concerned, not to say alarmed, at the growth in the country's circulating medium and will shortly adopt some means to check it. The members of the Board are perhaps sitting up of nights making an exact calculation of just how much money the country ought to have. As in the old days most of the ills of humanity were ascribed to an oversupply of blood, and the remedy applied being blood-letting, so now it is the fashion to ascribe high prices to an oversupply of money, and the remedy invoked is a reduction in the volume of circulation. It is at least as intelligible a process as was bleeding the patient for physical ills.

The fact is that if we had a financial system where the fiduciary circulation came forth in response to business demand for it and retired with the decline in that demand, without the intervention of a political board at Washington, we should then hear the last of these utterly foolish proposals to regulate the volume of the circulating medium at Washington. When the Federal Reserve Board assembles in the marble rooms of the Treasury at the National Capital, its members, made up of distinguished foreign bankers, Eastern money magnates, great Treasury officials, political economists and other wiseacres, invested with all the dignity and insignia of rank and power, the unthinking might well suppose that this great aggregation of wisdom could regulate the currency supply with absolute precision. Actually their attempts in this direction represent the acme of human folly. As regulators of the volume of the currency, against these elegant gentlemen, with all their learning and power, we will confidently pit the hop-grower in Oregon, the clam-digger on Long Island, the farmer on the western plains, the lumberman in Washington, the cattleman in Montana—anybody engaged in production and trade—for they know their currency needs and no one else can know them.

So far as can be seen at present, the attempt of the Government to regulate currency and credit has been wholly mischievous. Under the expansion going on, bank reserves should have been gradually increased; they have been reduced, and now there is a proposal afoot which comes dangerously near abolishing them altogether for certain banks. In the face of the heavy gold imports the banks are permitted to keep lower reserves than ever before, and they may even be allowed to deposit practically all these reserves with the Federal Reserve Banks, thus laying a basis for still greater expansion.

There is need of a regulation of the volume of credit and currency, but under a proper system that regulation will be automatic, without governmental interference.

WHAT SHALL WE DO WITH OUR GOLD?

TIMID economists and bankers are beginning to cry aloud for somebody to rescue the United States from the flood of gold in which they expect the country to be submerged. They seem to think that this flood of gold is going to cause inflation, speculation and disaster generally.

To quiet those who may be disturbed by this false cry, let it be said at the outset that, compared to the obligations the United States has recently assumed in international financing, there is no excess of gold whatever. We have bought back an immense amount of our securities which Europe owed, and roughly we have lent two billions abroad since the war began. These financial feats call for a larger backing of gold, and there need be no alarm over our present supply. Our real cause for worry consists of the problem of holding on to this gold when the European nations again begin bidding for it.

But to anybody who thinks there is no place to put the gold we have, a few suggestions are offered:

(1) Put $150,000,000 gold behind the $346,000,000 of greenbacks, now backed by only $150,000,000. This would make these obligations gold certificates, for a considerable part of the issue outstanding when their retirement was stopped must have been lost or destroyed.

(3) Put some gold—at least twenty-five per cent.—aside as a reserve against the $700,000,000 of Government paper "money" outstanding in the shape of national bank notes.

(4) Buy up with gold one-half the fifty cent silver certificates and retire them.

If these suggestions are adopted the currency will be on a much sounder basis than it now is. Should there be any surplus gold left after carrying out these suggestions it might be applied to the following purpose:

(1) To an increase in all bank reserves gradually to at least double the present figures.

This would reduce credit inflation and help in bringing prices down to something near a normal level.

Before the war began the United States had outstanding the largest volume of uncovered paper of any country in the world, and while that bad eminence may now be held by some of the warring nations, our own record is still extremely bad. With between one

and two billions of uncovered paper outstanding, and with bank reserves watered by this form of reserve, and with the recent proposal still further to water them through redeposit with the Federal Reserve Banks, an outcry about a dangerous flood of gold in the United States seems calculated to make the monetary theories of William J. Bryan respectable by comparison.

THE RECENT LOAN TO THE UNITED KINGDOM

OFFICIAL announcement was made on October 25 of a new loan to the United Kingdom amounting to $300,000,000. The loan is in the form of three and five-year notes in equal amounts, bearing interest at five and one-half per cent. High-grade collateral has been deposited here to secure the loan.

This recent loan makes the fourth floated here since the war began. Of the Anglo-French loan of $500,000,000, Great Britain took one-half; then there was a loan of $50,000,000 to London banks, and the $250,000,000 loan of last August.

Already, since the outbreak of the war, Great Britan has borrowed more than $12,000,000,000 and it is expected that by the end of March the amount will run up to $15,280,000,000, of which about $4,000,000,000 will represent advances to the Allies and colonies, leaving the additions to the British debt about $11,000,000,000 as a result of two years and eight months of war.

A rather novel feature of this most recent loan is that it is represented as being made to oblige the lenders. That is, the New York banks, being deluged with gold, politely intimated to His Britannic Majesty's Government that if a loan were desired in the near future, now was a most opportune time to make the arrangement.

It is suggested that hereafter in making loans to France and Great Britain collateral should not be required, and that in making such demand in the past we have not been living up to the obligations imposed upon us as the temporary financial centre of the world.

To doubt the credit of nations like Great Britain and France does seem a most absurd proceeding, and prior to the outbreak of the war with its vast expenditure it certainly would have been so. That nations like these would break faith with their creditors, no one for a moment believes. They represent the highest faith known to international finance. That their wealth, depleted to some extent as it has been by the unhappy struggle, is still vast, everyone knows. Considered from the ordinary standpoints of prudence,

there would seem no adequate reason for asking collateral for loans to these two governments.

Does the fact that collateral has been required represent a doubt upon the part of the New York bankers of victory for the Allies except at the cost of still further years of fighting and an outlay that can not be calculated? Great Britain seems resolved not to stop fighting until virtually able to dictate terms of peace to Germany, while the latter country, as shown in the recent speech of the Imperial Chancellor, regards this as essentially a thrust at Germany's existence, and announces a determination not to yield—or, as he calls it, "a will to live."

Is it possible that the struggle may go on so long, and cost so much more, that the course of the New York banks in exacting security for the loans will prove a wise and necessary precaution?

Since we have entered upon the policy of extending financial aid to the Allies—a policy which, of course, is to our interest from a purely commercial standpoint—it may be said that we should carry out this policy as graciously as possible, and to doubt the prospective solvency of France and Great Britain is certainly not a gracious act. But surely the conditions are extraordinary, and one hardly knows in these awful times what to count on. The spirit manifested by France and Great Britain shows a dogged determination not to make peace on the enemy's terms. Germany, if the words of her statesmen are to be credited, is equally resolved not to give in. Finally, one side must either be decisively beaten or both must show a more conciliatory disposition. Conceivably, if the present disposition is maintained on both sides, the conflict may go on until bankruptcy or possibly revolution may face even the richest and most powerful of the nations engaged. The magnificent heroism displayed may itself be carried to an extent that will face annihilation rather than surrender.

PROHIBITION GAINING

ONE of the marked features of the recent election was that it added to the "dry" area five States, making a total of twenty-four commonwealths from which the saloon has been expelled by the vote of the people.

It is a remarkable fact, also, that this modern uprising against the liquor traffic has in it little of the sentimentalism which characterized the earlier crusades. It is a plain business proposition. The business is regarded as a drag on the national welfare and pros-

perity. Drink makes men less efficient in industry and business, and therefore a sentence of extinction has been pronounced against the saloon. The execution of this sentence is delayed for a time in some of the States, but that it is inevitable in all, in time, seems reasonably certain.

As a net revenue producer the saloon is recognized as a colossal failure. It puts a tax upon the community that far outweighs the advantage of the revenue received from license fees. The people have made up their minds on this subject and are quietly getting rid of the saloons.

There is another charge against the saloon that will render its going a source of satisfaction. That is that it has been a persistent lawbreaker. It was never content with any degree of regulation however liberal, but through its political "pull" always set itself above the law. Finally, the people have come to the conclusion that if they can't mend the saloons they can at least end them.

We have had quite recently in this country a great movement for national preparedness. If we take a leaf out of Europe's book, we shall learn that one of the first steps in effective preparation for defense is to put an entire or partial ban upon the liquor traffic. If the United States must imitate the example of the European nations in that respect, the work cannot be undertaken too soon.

Since the election last month there are twenty-four States in the "dry" ranks, or exactly one-half those in the Federal Union. Already there is talk of a constitutional amendment for making prohibition nation-wide.

THE PRESIDENTIAL OFFICE

VIEWS of a recently-defeated candidate for the Presidency are liable to have little weight. Yet there were some things said by Mr. Hughes toward the end of his campaign that are worth recalling now. In a signed statement issued a few days before the election, Mr. Hughes said:

"The President is primarily an executive. * * * My conception of the Presidency differs absolutely from that of Mr. Wilson. I look upon the President as the administrative head of the Government. He looks upon the President as primarily the political leader and lawmaker of the nation."

Mr. Hughes, had he been making a statement for other than political purposes, might have included Mr. Roosevelt in the same

category with Mr. Wilson in respect to this particular matter. For Colonel Roosevelt not only seemed to regard himself as called upon to legislate and to execute the laws, but showed impatience with the courts' judicial interpretation of the laws as well.

Since McKinley's time it has become more and more the practice of the President to act as described by Mr. Hughes. Before condemning this practice one ought to look for its origin. Does it not lie in the impatient clamor of the people for more and more legislation? To hurry things up, do they not virtually say, "We can not wait on the slow legislative procedure of Congress, but we demand that the President take things in his own hands and as the party leader force bills through in short order?"

In virtually usurping the legislative functions of the Government, President Wilson is merely following recent Republican precedents, though he has gone to greater lengths than either Mr. Roosevelt or Mr. Taft.

In dividing the Government into three departments, the framers of the Constitution acted wisely. They did not conceive the idea that the President was to make the laws, execute them, and even put his own interpretation upon them. That would have made the President a dictator and not a Constitutional ruler. As a matter of fact, it was the intention of the makers of the Constitution to place limits upon executive power. The President is authorized to convene the Congress, or either branch of it, in special session, and to adjourn both houses in case of a disagreement between them as to the date of adjournment; he may veto measures that do not meet his approval, and may recommend such legislation as he deems appropriate. That is the extent of the power which the Constitution confers upon the President with respect to the legislative branch of the Government.

But the President is no longer content with this modest grant of power. He (and reference is made rather to the office than to its present incumbent) has become virtually the dictator of legislation. Executing the laws is a small part of his business as compared with his activity in hatching up new legislative schemes to push through Congress by the rough exercise of the tremendous political power of his office.

What is the result? Is it not true that we are passing legislative measures in an unprecedented volume, most of them foolish and unnecessary and many of them of serious and lasting injury?

If law-making originated in the way the makers of the Constitution intended, that is through the slow growth of public opinion finally expressing itself through the House and Senate, we should have much less legislation than now, which would be a benefit of itself, and the quality of our laws would be greatly altered for the better.

The President of the United States (and the same may be said of most governors of States, who are imitating his example) has come to regard himself as a divinely-ordained man whose mission is to pass enough laws in the four or eight years of his incumbency to redress all the ills of humanity and confer upon mankind prosperity by legislation.

Two quotations from recent political literature will prove to what a dangerous extent this delusion has taken possession of the minds of the President and one of his cabinet.

Not long ago the President declared that the Federal Reserve Act and the Federal Farm Loan Act had "virtually created credit for the farmer"; as if credit were something that could be legislated into a man. His Secretary of the Treasury declared that the Federal Reserve Act had "done more to bring about our present prosperity than all other influences combined."

No wonder, if men have this blind faith in legislative panaceas, that they will bludgeon measures through Congress by any means in their power. They regard themselves as economic saviors of the race and the way of salvation an act of Congress.

It is a pity that the statement of Mr. Hughes did not receive more attention, for it was a sound criticism of the most dangerous tendency in American political life—the usurpation of legislative power by the Executive.

Of course, all those who pant and thirst for more legislation, will regard all this as reactionary. But do we not need a few years to absorb and assimilate the laws we have? Would not the country be immensely benefited by a long rest from new and experimental legislation?

Montaigne, in one of his essays, tells this story: "The legislator of the Thurians ordained that whosoever should go about either to abolish an old law or to establish a new, should present himself with a halter about his neck to the people, to the end that if the innovation he would introduce should not be approved by everyone, he might immediately be hanged." Were this pleasant custom revived, we should have fewer lawmakers and more makers of shoes and growers of potatoes, greatly to the benefit of mankind.

ANNUAL THRIFT DAY

FOR the first time a day was set apart this year on which special attention was to be paid to the importance of cultivating a spirit of thrift among the people of the United States. The same date—February 3—is to be observed next year for the same purpose.

The interest shown in the matter on the previous Thrift Day certainly warrants a repetition and perhaps a perpetuation of this practice of setting aside a particular day in each year on which the attention of the people shall be concentrated upon thrift as a part of the programme of national preparedness and efficiency. Banks, newspapers, schools, churches and various institutions and organizations were quick to realize the value of getting the people to think along this line. Of course, the setting aside of one day in the year as Thrift Day does not mean that a spasmodic effort to save or to teach the value of saving shall be made on that day alone. It means rather that by fixing attention upon the matter in a public way so much interest will be aroused that a wave of enthusiasm will be created which will not only last during the entire year, but that will perpetually spread. Undoubtedly, as a result of the inauguration of Thrift Day last year, and through other efforts in the same direction, the people of this country are paying more attention to a thoughtful and wise economy than ever before. This may appear from an apparently negative fact—the arraignment of our national extravagance so frequently made by speakers and in the public prints. This shows that leaders of public opinion are alive to the necessity of inculcating thrift principles in the minds of the people.

Thrift Day should be widely observed, and no doubt the bankers, as leaders in all good movements, will give to its proper observance their unqualified support.

GOVERNMENTAL PENALIZATION OF BUSINESS

THE policy pursued in this country by the State and Federal Governments of inflicting legislative penalties upon successful business enterprise is effectively challenged in an address by Mr. Louis A. Coolidge, published in succeeding pages of this issue of THE BANKERS MAGAZINE. In clear, terse and temperate language Mr. Coolidge shows the blighting effects of the legislative attempt at business regulation, and makes an earnest plea to American business men to take a firm stand against this regulation whenever it trenches upon their own rights or those of the public at large. He justly imputes to business men themselves much of the blame for the present situation. They, like other members of the community, have come to have a blind faith in the efficacy of legislation as a panacea for industrial ills.

Mr. Coolidge points out the fallacy on which most of the governmental assault upon business is based. As the result of the unre-

futed teachings of political theorists people have been made to believe that there is an antagonism between the rights of man and the rights of property. Actually, these are rights which can never be divorced, for "the sense of the right in property is at the root of human progress." If one studies much of the recent legislation to regulate business it will be seen that it proceeds on the theory that somehow the accumulation of property is wrong, a thing to be punished. Mr. Coolidge says that "There is no other country in the world where industry is penalized or where thrift is treated as a crime."

Against the false and mischievous doctrines contained in a great deal of the anti-business legislation enacted in recent years it is time that a campaign of sound education be carried on, and the circulation of a document that is at once so lucid and so true as Mr. Coolidge's address ought to help to mark the beginning of a changed attitude of the public mind respecting a matter of supreme importance to the public welfare.

New Counterfeits

$10 National Bank Note.—On the Silver Bow National Bank of Butte, Mont.; series of 1902; check letter "B"; W. T. Vernon, Register of the Treasury; Lee McClung, Treasurer of the United States; portrait of William McKinley. The correct charter number of the Silver Bow Bank is 4283; the counterfeit bears charter number 4256; Treasury number, A406059; bank number, 19207. All of these numbers are printed in purple ink, as is the geographical number W.

The counterfeit is a plain photograph and should be readily detected.

$50 Silver Certificate.—Series of 1891; check letter "A"; face plate No. 11; Gabe E. Parker, Register of the Treasury; John Burke, Treasurer of the United States; portrait of Edward Everett.

This counterfeit is apparently printed from photo-mechanical plates of fair workmanship, on two pieces of paper, between which silk threads have been distributed. The number of the specimen at hand is K539501. This number will probably appear on all these counterfeits. Portions of the original photographic number can be seen between the blue ink which has been applied with pen or brush. The lathe work on the back of the bill is poor; the lines are broken and disconnected.

Care should be exercised in handling all notes of this issue.

A later issue of the counterfeit $10 Federal Reserve note on the Federal Reserve Bank of New York, check letter "A," plate No. 21, has been discovered in circulation. This note bears number B7846393A. The figures in this number are closer together and not so heavy as in the note first described.

Louis A. Coolidge

TREASURER UNITED SHOE MACHINERY COMPANY, BOSTON, MASS.

Government Control of Business*

By LOUIS A. COOLIDGE

I AM to speak to you upon a subject which I hope you all have close at heart. The theme is one which vitally affects not only those who have an interest in business, but more than that, it has to do with all activities of life; for if the government of state or nation can now control your private business without arousing your resentment, the time will surely come when it will undertake a closer supervision of your individual affairs.

There is an intimate association between your business activities and your daily walk and talk; for business consists in the exchange of labor for subsistence, and he who lives must carry constantly in mind the means by which subsistence shall be best assured.

It would be hard to find the line which separates our daily work from all our other manifold relations to society, for whether one may toil with hand or brain he exchanges his labor for the means with which to purchase the necessities, the comforts, or the luxuries of life.

Are we ready to entrust the whole complicated system of our interlaced existence to government control? For that is what we face if present tendencies prevail. The theme concerns us closely therefore in many, many ways. It cannot lightly be passed by.

Some time we must learn that business cannot be penalized in such a way that discipline shall light on capital alone, that labor and the public must share the punishment, because their interests are intertwined; above all, we must learn there is a thing which overtops both capital and labor—upon which their co-ordination must depend, around which the vast machinery of industry revolves—initiative, organizing skill, executive capacity, the glowing vision of industrial effectiveness which signalizes all great business management, which is found only in the brain of man.

The Stifling of Enterprise

HERE lies the tragedy of interference by the Government in industrial affairs. It stifles enterprise, discourages invention, smothers imagination, and lays a dead and clammy hand upon the heaven-born hope for individual success.

*An address delivered before the Cleveland Chamber of Commerce at Cleveland, Ohio, October 10, 1916.

When Denis Kearney, the "Sand Lots Orator," tried to see General Grant in San Francisco, to advance his lawless propaganda, Grant refused to see him. When, in Chicago, Debs stirred up the strike of railroad employés, Grover Cleveland ordered out the Federal troops to guarantee the transportation of the mails. When, a few weeks ago, the railroad brotherhoods threatened to tie up our transportation system, mails included, even before they had a chance to carry out their threat so that it might be demonstrated how short a distance they could go, and for how short a time a suffering people would submit, they were not told, as Grant or Cleveland would have told them, that the whole force of the Government would be employed to preserve order and protect the public; the whole wretched mess was thrust on Congress, where the panic-stricken legislators yielded their legislative function subservient to outside threats and to Executive appeal; while the Postmaster General announces that if the railroad operatives refuse to run the trains to carry mails they cannot be amenable to law. So far along the perilous road have we already gone since Grant and Cleveland bravely stood for public rights.

Yet can we say that those who are responsible for this last evidence of swift degeneracy are alone to blame? Weak and cowardly they may have been, but they had fallen on a time when government had been demoralized by years of interference in business and industrial affairs, whatever party was in power, till sins against the body politic which no one would have tolerated twenty years ago have now become so common that they cause no stronger feeling than regret. There seems to be no limit to the demagogue's appeal.

Meddlesome Regulation of Business

THE first step in the present trend toward Government control of business was the creation of the Interstate Commerce Commission in 1887. The next step was the Sherman Anti-Trust Law, four years later. Those who enacted these laws had in mind nothing commensurate with the meddlesome regulation which has followed in their train.

When Congress magnified the functions of the Interstate Commerce Commission, by giving it the power to dictate rates, it took a step which Congress had no moral right to take and brought the Government in closer touch with business than the Government has any moral right to be.

When the Supreme Court a dozen years ago interpreted the Sherman Law regardless of "the rule of reason," and when it brought within its fields the railroads of the United States, it dealt

a blow at honest business from which we all have suffered ever since.

The primary object of the Sherman Law was to adapt to Federal necessities principles which from time unknown have been embodied in the common law. But the administration of the act has been entirely inconsistent with this aim. The purpose of the act was not to give the inefficient an advantage over clever competitors, or to show preference for one form of business organization as against another. It was to protect the great consuming public from extortion. It was inspired by fear that corporations engaged in business which was then competitive would get together to raise prices. It was to prevent restraint of trade, not to establish a new inquisition to obstruct its growth. But the law has been perverted from its purpose of protecting the consumer and has become a weapon against accepted forms of business organization which have expanded commerce and which have been of benefit to everyone concerned—the corporations which through their success have proved of service to society, which have contributed to national prosperity by offering the thrifty and industrious an opportunity for safe investments, which through the savings of sound management can pay good dividends to holders of their stock, an equitable interest to holders of their bonds, the highest rate of wages to the laborer, while at the same time furnishing the public with the most effective service at the lowest price.

The very agencies which have done most to lower the cost of living have been assailed with special venom by those who scream most lustily because the cost of living is too high. Of course it costs more now to live than in the past, but we have no one but ourselves to blame. Part of the increase may be traced to extravagant administration and the consequent advance in taxes all along the line; part of it to restrictive laws which greatly add to the expense of operation on our railroads, and in our factories and stores; part of it is due to comforts which we all enjoy and which the wealthiest among us could not have had a little while ago; but most of it is due to increase in the cost of labor, and we need not look for cheaper living unless we are prepared to sacrifice these other things to which we have become attached.

The Interstate Commerce Commission, as first constituted, was to exercise sane supervision over the agencies of transportation, to protect the public from unfairness in the use of power. It was not vested with authority to dictate rates; but from an innocent beginning its office has been so magnified that it now has our transportation system in a strangle hold, and worse than that, it has been lately taken as a precedent for more commissions according to the need of politics, till we have reached a point where there would seem to be no business activity immune from the commission blight.

So hopeless are our railroads under the harrowing attention of the Government, from which they are compelled to beg permission before they can adjust themselves to the immediate necessities of trade, and from which they rarely get relief until too late, that a few railroad presidents have been tempted in despair to think of public ownership, as a relief from baneful Government Control, and some now speak complacently about the possibility that the Government shall take complete possession not only of our railroads, but of our telegraphs and telephones, rather than have imposed upon us additional pernicious laws.

Government Handling of Business

WHEN you hear talk like this, always remember one fundamental fact: No business activity can be handled by the Government except at greater cost to the consumer or an increase in taxes—sometimes both. There may be individual local instances where public ownership has paid; but we have enough examples now of the effectiveness of ownership and operation by the Federal Government to help us guess what would result from its extension to new fields.

We have the post office, a monument of business extravagance, and oftentimes, as now, of inefficiency. There has never been a time since the beginning of the Government when the post office was not run at a great loss. Wages are higher compared with those paid in return for similar work in private employment, and with the constant pressure upon politicians they constantly go up—but never down. The postal service has to carry free thousands of tons of Government reports, of campaign documents, and speeches by Senators and Congressmen. It is a riot of extravagance, of which a multitude of politicians reap the benefit and for which the public has to pay, both in the form of taxes to discharge the deficit, and in the form of a poor service, made so in order to accommodate the influential few.

A private company could give the public a far better service at less cost, and if unregulated by the Government could make the service pay. If it were not that handling of the mails has always been accepted as a function of the Government, we should be better off if it could be transferred to private management.

Our navy is another instance of costly management. We have wasted on our battleships millions of dollars as a sop to local pride or as a tribute to political pull—building a vessel's hull in San Francisco, building its engines in New York, dividing up among a lot of useless navy yards work which could be done as well and far more quickly, and more cheaply, if let out to private contract. And so it

will be with the plants for armor plate and nitrates which Congress has just made appropriation for and which are to be built in places chosen by politics, where they cannot by any possibility be economically run.

The only enterprise of Government which has been run efficiently and at a moderate cost has been the work of army engineers. The Panama canal, improvements in our harbors, and other works of Government construction have been carried out effectively and inexpensively, because they were exclusively in military hands, and those who worked on them were subject to strict discipline. The deadly canker of social legislation has not yet eaten into military life.

If we have the railroads, the telegraph and telephone run by the Government, we shall have a vast army of civil employes, to handle whom the sternest discipline will be required unless we wish to take the risk of constant inconvenience and ever present peril. The only way in which a railroad or a telegraph can be effectively conducted by the Government is through military operation, and every step we take toward public ownership leads either to colossal inefficiency or to military rule. There can hardly be a middle course.

Fixing Wages of Railway Workers

IN fixing the wages of railroad workers in order to avert a threatened strike, the President and Congress went upon the opportunist theory that they could thus postpone an evil day. Their action did not settle anything. No one knows yet just what may be the meaning of the law. We do not know whether it is constitutional or if constitutional to whom it may apply—whether to 400,000 railroad men, or to five times that number. The law provides that the new schedule "shall apply to all persons actually engaged in any capacity in the operation of trains used for the transportation of persons or property on railroads." If this includes the 400,000 labor aristocrats who forced the bill, the engineers, firemen, conductors and trainmen —does it not also cover the switchmen, watchmen, trackmen, station agents, telegraphers and trains dispatchers? Why not? They are all engaged at times in operation of the trains. Shall a few favored ones be taken and the others left?

Strange to say, that is what no one knows, and no one thought about it when they were rushing through the bill. No one can guess how it can be put in operation, even if it is valid. Is that skilled workmanship? Is that the sort of thing we want applied to all our business problems? How long can business survive if it must be entrusted to such clumsy hands? The only right which Congress has to legislate in these affairs is under its authority to regulate the

commerce between States. Railroads are in that commerce. So are coal mine owners and their employes. So are textile mills. So are shoe factories, machine shops, clothing manufacturers, automobile factories, and so on to the end of all of our industrial and mercantile activities. A clerk in a "gents' clothing store" in Boston selling a collar made in Troy, N. Y., is in interstate commerce.

The recent act of Congress does not fix the hours and wages of this clerk because he does not happen to be mentioned in the bill. But what is to prevent it later? Should there be danger of a strike in any industry which might tie up our commerce and disturb our comforts for a while, relying on this precedent Congress could forbid the strike and force the men to work, which would be involuntary servitude, or it might assess employers enough to satisfy the men, which would be confiscation.

No matter which way Congress should decide a question of that kind, they must choose one of these alternatives.

And if Congress can raise wages, why not lower them, too? What becomes of the laborers' right to bargain with his employer for the adjustment of his pay if Congress has this power? What do the unions gain if they have lost the thing for which they have been struggling all these years?

New Standards of Legislation

WE have new standards now in legislation. There was a time—and that not long ago—when public men devoted thought and study to the real problems of effective government—the things which since effective government began have been peculiarly its province, and which no other agency can undertake.

In the eyes of other nations our Government enshrines the soul of our own nationality. Through this we fix our standing in the estimation of the world; through this we make provision for the national defense, coin money, borrow money on the credit of the United States, establish post offices and post roads, promote the progress of science and of the useful arts by issuing copyrights and patents, establish courts of justice, punish offenses against the law of nations, declare war, raise and support armies, provide and maintain a navy, suppress insurrections, and repel invasions.

These things can properly be handled by the Federal Government, and by the Federal Government alone. They are all duly indicated in the Constitution. They are recognized throughout the world as attributes of nationality. They are beyond the scope of private enterprise, they belong to Congress, and Congress can be amply occupied with them.

It has work enough in hand to make the appropriations indispen-

sable to keep the difficult machinery of administration in good running order.

There was a time when the appropriations were the first thought of Congress; and let us not forget that parliamentary government owes its existence to the demand that through this means the people should control the raising of the revenues and decide for what they should be spent. This is the very essence of our form of government. Is it a sign of the degeneracy of the day that for the past four years the passage of appropriation bills has been about the last consideration in either House or Senate?

Congress has been so busy with strange schemes of legislation affecting private business, letting loose a flock of highly paid and poorly manned commissions, passing law after law to hamper trade, that with hardly an exception the appropriation bills have been deferred beyond the beginning of the fiscal year to which they must apply, and resolutions have been passed continuing the last year's appropriations, until Congress could find time to act. Can you imagine a more slovenly procedure? Would you tolerate it in your personal affairs?

Yet this is the all-wise body which undertakes to say how all business shall be best conducted for the general good!

For of late years, Executive and Congress have taken on themselves new and improper tasks. They have assumed a supervision over private business which was never thought of by the men who organized the Government, which was undreamed of till the Government had been in operation nearly a hundred years, which is offensive in the manner of its application and deplorable in its effects, which if persisted in will sap the life of industry and bring disaster in its train.

Penalization of Thrift and Industry

THERE is no other country in the world where industry is penalized or where thrift is catalogued with crime.

Are you not as men of business in part to blame? Have you not come unconsciously to think of legislative merit in terms of multitudinous bills and laws? Following the popular trend, have you not grown to estimate a legislator's service by the number of new measures which he may propose?

We hear a great deal now about "constructive" legislation, as if there were some magic in the name, and public men are often criticized by an unthinking press because their names are not identified with the enactment of some new law. There could not be a greater fallacy.

To prevent enactment of new laws may be a legislator's highest merit, and to encourage legislation may be a grievous fault. In the majority of cases, "constructive legislation," as it is called in the prevailing phrase of cant, is a delusion and a fraud.

There have been few periods in our history when constructive work has really been of benefit.

One was when the Government was first set going under the Constitution, when Hamilton, with his astounding genius, framed act after act constructing a foundation on which to build our national prosperity, raising an edifice in which to house our national pride, measures conceived not to discourage private enterprise, but to leave it free, with an unhampered opportunity to grow.

Another was immediately following the Rebellion, when new conditions faced the Union, when our ideas of government had been shaken by revolutionary measures imperative in war, and when the conquered South awaited restoration to the Union, under such terms as the victorious North was minded to allow. We needed legislation then to fix the nation's credit, to place it on an honest par with that of other nations of the world, to guide the Government again toward normal methods. All these things were properly within the sphere of government control, but times are rare when men must have new laws to meet imperative demands.

In a great and growing country such as ours, with continual rapid changes going on, of course we cannot get along without new laws, but in ordinary times "constructive" legislation, as men love to call it, is a danger. In most years we should be far better off if Congress and our State legislatures would confine themselves to the enactment of appropriation bills and to imperative revision of the laws for raising revenue.

The thing the country needs to-day is not new laws so much as the repeal of bad.

The Manufacture of New Laws

AN English student says that Congress and our State legislatures each year enact more laws than are proposed by the law-making bodies of Great Britain, Germany, Italy, France and Austria combined, although those countries have more than twice our population.

In the session of the British Parliament just before the outbreak of the European war, the number of new laws of various kinds was 239. In the corresponding Congress the number was over 700. Yet the British Parliament covers the wide field of local legislation which in this country is distributed among the States.

In the seven years between 1909 and 1916, our Congress and

State legislatures enacted 78,748 statutes. For years, the average annual crop of laws in our State legislatures has been 12,000, and forty-three State legislatures sitting a year ago surpassed all records by enacting 15,000. Very few of these are of real benefit; many of them are distinctly harmful—but the law factories keep on working overtime enacting statutes, a large part of which are aimed at regulating business and industry, fixing hours of labor, establishing conditions of employment, imposing onerous burdens not only upon public service corporations, but upon private enterprise—at times enacting contradictory laws which it is impossible to obey.

You have doubtless heard of the New York, New Haven & Hartford Railroad, for through pitiless publicity on the part of paid attorneys for the people that road has long been pilloried by an unstifled press, but possibly you have not been told that it has been for years the target of continual attack in legislatures of three States through which it runs. At one crisis in its history it found itself in this impossible position: That one State ordered it by law to do precisely what another State by law forbade—each State in its own way had been indulging in "constructive legislation" harmful to the road, its helpless stockholders, and through them the public, which all law ought to benefit.

It used to be an axiom that the country which is governed least is governed best, that the freedom of the individual should be the aim of every civilized community, so far as it may be consistent with the rights and liberties of all.

But that no longer is the cry. The politician, ear to ground, thinking to feed the blind demands of discontent, is striving ceaselessly to satisfy the whims of those who go most quickly to the polls, even at the expense of those whose thrift and industry contribute most to the welfare of the community.

Human Rights and Property Rights Inseparable

WE hear a lot these days about the sacredness of human rights, as something radically different from the rights of property, and entitled to infinitely more respect. That is an inspiring cry. It is responsible for many thousand pages of debate and countless chapters in the laws. It so pervades the public consciousness that one who questions it may be suspected of a sinister design.

And yet it is a fallacy, as any one will see who stops to think. For in a civilized community there can be no human right which is not a right in property as well. The two can never be divorced. The sense of right in property is at the very root of human prog-

ress. Without it we should be no better than the beasts which roam the field.

The man who has no other wealth than a clean shirt upon his back will fight for that. It is his property; it is his right. The working man who lays aside a portion of his weekly wage amasses capital. He has a stake in the community and he will fight for that. It is his own. It is his property; it is his right. Those who would teach men otherwise will do them an ill turn, for they instill into the soul contempt for thrift, for saving, for all industry, and thus unwittingly they would impede humanity's advance.

All legislation in that line is vicious legislation. It blights ambition, poisons hope and sterilizes the determination to excel. Under the specious plea of social service, it does poor service to society, for those things which well meaning spirits seek through legislation can be much better handled by the individual who can be held at once responsible in his own person through success or failure in his plan. You cannot hope to force philanthropy by law. It must be the fruit of those conditions which exist in each locality and industry according to its needs. It must be visualized by men who are familiar with an infinite detail of circumstance which no law-making body not on the spot and not familiar with each individual case can understand.

Private Enterprise and Social Service

NO government control can possibly compare with private enterprise in social service. The things which have most greatly benefited the workers of the world have come through the enlightened selfishness of private industry. Wages have been raised through mutual agreement between employer and employed, and not infrequently through single-handed action by the employer who sees the wisdom of accepting opportunities to share his profits with his co-laborers, to secure their free coöperation and good will. What government could rival the industrial advantages secured by sympathetic combination of the interests of those employed by some of our great corporations?

Could laws create superior conditions to those prevailing now in factories like those of the United Steel, the International Harvester, the company with which I am identified myself, and doubtless many others which you right here in Cleveland know about?

What legislature could compel employers to coöperate with the employed in the establishment of ideal industrial communities, or could compel the workingman to take the steps essential to his own interest?

Yet voluntarily, throughout the land, we have great business

concerns doing this very thing without a thought of advertising philanthropic wares, because their reason is a very homely reason—that it pays. No social service can be rendered with effectiveness unless it means a practical advantage to everyone concerned—and right here legislative interference is dangerously meddlesome; for legislation must be of universal application, and no two cases can be treated properly in the same way. Requirements which one concern might find to its advantage might mean destruction to another, and the concern which suffers most will be the little business which, under the conditions evolved from its necessities, secures a modest income to its head and fair employment to a few wage-earners, who otherwise would have no means of livelihood. Which is the more important—to have a living wage without ideal environment or an ideal environment with no wage at all?

Two years ago this summer Congress spent many weeks in trying to put through the Clayton Act, when they might well have spent the time in making preparation for the national defense.

Its avowed purpose was to clear the way for honest business, so that there need be no further question as to what the law would let it do. We had just become adjusted to the Sherman Act, through a long, arduous line of court decisions, and did not need this law; but it was forced upon us "for our good." The men who handled it in Congress were from States with no great industries, and few of them had ever seen the inside of a factory or a great mercantile concern. As lawyers they had limited experience in rural practice; yet they proceeded cheerfully to formulate the rules to regulate the country's intricate industrial machine.

It was as though a dozen merchants had undertaken to codify the statutes or determine the procedure of the courts, or as though a dozen bankers were to tell the farmers how to grow their crops.

What do you know to-day about the Clayton Act? What has it done except to cloud conditions which it was framed to clear? And how about the Federal Trade Commission which some of us were eager to create?

Encouraging Foreign Trade

WE are threatened now with new enactments to encourage foreign trade, so that American concerns may get together to invade the European field through means which have been found illegal here at home, but are approved by European governments ambitious to expand their commerce.

Our President has said he was ashamed of our American business men because they lacked the vision, energy and courage to enlarge their trade abroad.

When he thus publicly avowed his shame he doubtless had forgotten what had been done already by some of our great corporations which have boldly assaulted the world's markets with far-seeing genius at the very time when they were under prosecution here.

The work which has been done abroad by companies like Standard Oil, Steel, Eastman Kodak, International Harvester, National Cash Register, and United Shoe Machinery, is a thing to stir our national pride. Yet every one of these concerns is penalized at home and consequently they are handicapped in Europe where it is known that they are still in court and that our own government has indicted their executives for industrial crimes. The European merchant does not understand the scope and the significance of law-made offense, and he is prejudiced accordingly.

If there is any honest purpose to help Americans push business in foreign lands, let the suits be withdrawn; let the indictments be dismissed; let the records of our industrial leaders be cleared from unjust stain. Then let American enterprise, enshrouded in the American flag, move forward without shackles to the conquest of the world.

Honest Business Must Not Remain Inert

WHAT of the future? Shall honest business remain inert while politicians have their way? Why not take counsel with ourselves while there is still an opportunity?

If politics invades the sphere of business, why should not business invade the sphere of politics? If government is minded to control all industry, why should not industry, which is the nation's life, control the government! Business should be divorced from politics, you say. Let it be so—if politics remains divorced from business. But otherwise let us not shrink from putting business in politics with all that this involves.

We believe in labor unions. They have rendered a great service which perhaps could not have come through any other means. Labor has a perfect right to organize, like any other group of men, which it would be great folly to neglect. But labor organized is not supreme either in numbers or potential influence. The people who have business to protect are in the great majority—stockholders in corporations, holders of life insurance, depositors in savings banks, are numbered by the million—and among them will be found the workingman, who has as much at stake as any of the rest. Labor and capital must work in harmony. Let them once get together and we shall have a body of opinion which President and Congress will respect. It is not an idle dream. It should be a reality.

Let us not be lured by phrases or caught by specious cries. We

have a mission to humanity? That is well. But how can we fulfill it till we have first fulfilled our obligation to ourselves?

There is entrusted to our care our children's heritage—the priceless jewel, individual liberty. Let us see to it that we hand it on to them unspoiled.

The stranger entering Cleveland is greeted by your splendid Court House bearing the legend "Obedience to Law is Liberty"—a noble sentiment, most nobly set! Let us be sure that men continue to respect it as a sacred truth. But how can men regard obedience to law as liberty if once they are convinced that their own rightful liberty is not respected in the law?

Politeness in Banking

THE value of politeness to a banking institution is thus commented upon by an exchange:

What one of the bankers of the American Bankers' Convention in Kansas City told its auditors—"a teller or a cashier with a grouch will waste a whole year's advertising appropriation"—is worthy of expansion into a fundamental precept of business, says the Baltimore News. The thing is perfectly obvious; perhaps that is the reason why it is so often overlooked. The principle is undeniable, yet its practice is far from universal. The proprietors of this or that enterprise spend money in building up their business, one of the most important upbuilders being, of course, advertising. They put out this money because they expect to get it back in increased trade. Nothing wrong, so far. Also they may produce honest, dependable and satisfactory goods—an essential, if success is to be anything but transitory.

But, especially in establishments which come into personal contact with numerous patrons or purchasers, there is another important element—service, and a large factor in service is politeness. That factor would not make much difference from the seller's point of view, if there were, so to say, a plethora of demand and a dearth of supply and of places of supply. But suppose competition between the sellers is keen. Take, for one example out of many, the retail tobacconist. It is possible for one to get a smoke that suits him in any one of the numerous places. So far as the goods are concerned, there may be little choice, but there may be a vast difference in the way the goods are sold. In one instance, the salesman may be courteous and obliging; in another, he may be languid, bored, indifferent, if not sullen. Now, *ceteris paribus,* which of the two stores will attract the more business?

"Politeness pays" is an axiom upon which many concerns are proceeding, linking with it the kindred maxim, "the customer is always right." What is surprising, however, is that all proprietors and managers do not insist upon their employes treating their patrons with consideration and with courtesy. It is not enough that rudeness should be lacking; politeness as a positive element should be present. There is another side to the matter, of course. Customers are sometimes capricious and trying. That, however, is the customer's fault. It is the proprietor's fault and folly when he pays a clerk or salesman for driving away business.

Analysis of Bank Accounts*

By HARRY J. HAAS, Assistant Cashier First National Bank, Philadelphia, Pa.

Important as is the analysis department of a bank at all times, it is especially so in these days when a number of new factors have entered into the conduct of banking. Some of these new factors, as well as those which are always present, are interestingly and instructively dealt with in the following paper. Cost accounting has become as necessary in banking as in other lines of business, and the banker who is seeking to place his institution on the highest level of efficiency will welcome this valuable contribution which Mr. Haas has made to one of the most practical and vital problems with which bankers are confronted—Editor BANKERS MAGAZINE.

I PRESUME your interest in the analysis of accounts is in the methods and things affecting the cost of handling bank accounts, and you do not expect to have me tell you anything about the ways and means of the First National Bank to build up profitable business or the earning capacity of the analysis department, so please bear in mind that none of my remarks, unless specifically stated, refer to the bank with which I have the honor of being associated. Please do not construe this as a lack of co-operation, as I believe in co-operative competition, and I am happy to say that there is co-operation among Philadelphia banks having analysis departments in the handling of accounts that require analyzing and a direct charge to make them profitable. We have all had accounts that were unprofitable, making necessary either an increase in balance, a reduction in foreign items, a reduced interest rate, or, as a last resort, a direct charge. Some customers have appreciated that the laborer is worthy of his hire, and consented to one or more of these changes to make their accounts profitable, while others have refused to meet our wishes and transferred their account to another bank. It is here that co-operation asserts itself, and the bank receiving the account can in a few minutes learn the reason for the change and thus be prepared to stand firm in their demands that the account be made profitable. The customer then realizes that the first bank must have been right in their request, but few will return, being too proud to acknowledge their position. In these cases we all work the law of averages, and where we lose one we may gain another. I have known accounts that have been in five or more banks before they have finally realized that they might just as well make up their mind that well regulated city banks know the cost of handling accounts just as the manufacturer knows the cost of making his product.

AS far as I can ascertain, the inception of analysis in Philadelphia banks had its beginning in a bank which had a good volume of business, but was not making any money, and one day the president determined to learn where the leak was, so he assigned a bright fellow, with an analytical mind, to find out the cost of handling certain accounts, and as an offset how much could be made out of their balance. It was started in the nick of time, because in 1899 the New York Clearing House passed rules charging from 1/10 per cent. to ¼ per cent. on all out-of-town cash and collection items, except a few discretionary points, and irrespective of balances maintained. Philadelphia continued on the old basis of handling everything at par, notwithstanding the fact that they had to pay some country banks exchange. The number of banks charging

*Address before Philadelphia Chapter American Institute of Banking, November 17, 1916.

exchange and the rate increased as competition among Philadelphia banks became more severe.

The increase in Philadelphia bank deposits, owing to the New York Clearing House rules, is best shown by a comparison of the following figures:

Bank Deposits of Members of Philadelphia Clearing House Association.

January 3, 1898	$31,003,000
January 2, 1899	37,351,000
January 1, 1900	47,157,000
January 7, 1901	68,203,000
January 6, 1902	71,349,000
January 5, 1903	72,713,000

The New York Clearing House rule was passed April 3, 1899. You will note that in the two years, from January, 1899, to January, 1901, there was an increase of approximately $31,000,000, while in the two years from January, 1901, to January, 1903, the increase was only $4,500,000.

Under New York Clearing House rules their members have had a very simple process of analysis. They charge their customers and pass the exchange, all or in part, on to the correspondent, then calculate how much the balance maintained is netting the correspondent. If it is more than, say, one per cent. over and above the two per cent. on their balance, they request the correspondent to increase their balance so as to bring it within this ratio, and failing in this they divide their exchange with one or more banks and receive in return additional balances. Under the operation of the Federal Reserve Banks they have been able to reduce their exchange charge on member items, and if their correspondents do not give them a favorable rate they are in a position to collect these items through the Federal Reserve Bank.

Here in Philadelphia we have quite a different condition, as we have no clearing house rules compelling us to charge exchange; the only rule we have in this respect is that of deducting outstanding time from interest-bearing balances before paying interest. When this rule was passed, August 1, 1911, there was some opposition from a few country banks, but they soon saw the wisdom of our position in that we should not pay interest on money in transit. The calculations are very simple, but require considerable detail. Every item

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must be listed on specially-prepared sheets with columns marked:

Discretionary,
3 days,
5 days,
7 days,

then reduce everything to one day and deduct from the balance, which has also been reduced to one day. Considerable labor can be saved by eliminating the listing of three-day points as the largest volume would naturally be on the states covered in this list. The amount

of the three-day items can then be ascertained by deducting the total of the other columns from the total of the amount of foreign items. The member banks are permitted to use their own judgment regarding discretionary points, and if the account is profitable no deductions are made from the interest balance for these items, but if unprofitable they are deducted, and frequently it results in changing the account from a loss to a profit.

There are two other time calculations which enter into the analysis—one of actual outstanding time and the other the Federal Reserve Bank schedule. It is not sufficient to use only the clearing house time, as this applies merely to interest on balances, and in order to arrive at the net balance available for investment it is necessary to know the exact outstanding time, which is calculated from the mail schedules, secured from the United States mail service. Special sheets are used with columns ranging from no time whatever to ten days, but as in the clearing house schedule the greatest volume of items is on three-day points, so in the actual time the greatest volume is on two-day points; therefore the listing of these items can be eliminated and the amount secured by adding the remaining columns and deducting the totals from the amount of foreign. This finishes the time calculations.

WE have another important element of cost—the amount of exchange charged by banks on which the items are drawn. The Federal Reserve Bank will collect cash items at $1\frac{1}{2}$ cents per item on member banks or state banks and trust companies that have agreed to remit the Federal Reserve Bank at par, or state banks and trust companies that can be handled at par through a member of the Federal Reserve Bank. This has greatly reduced the amount of exchange paid by Philadelphia banks and resulted in additional calculations by analysis men. Prior to this it was only necessary to list items under headings of cost from "par" to "$\frac{1}{4}$ per cent.," eliminating the column of 1/10 per cent., as this was a popular cost, and arriving at the amount by taking the total of all the other columns and deducting this amount from the total foreign, but now a record of the number of items which can be handled through the Federal Reserve Bank must be ascertained and multiplied by $1\frac{1}{2}$ cents per item. This does not necessarily mean that all these items are handled through the Federal Reserve Bank, but the country bank has the right to expect that its city correspondent shall collect its items as cheaply as possible, and if the city correspondent prefers to send its items to a country bank and pay exchange they must look to the bank charging exchange to maintain sufficient balances not only to collect their items at par but to cover the difference between the Federal Reserve rate and the amount of exchange charged.

THE accounts are analyzed from the information contained in the daily cash letter, and heretofore the city bank required only the place of payment and the amount, but under the new order of things, if a country bank desires the advantage of having its account analyzed at the cheapest rate for items that can be handled through the Federal Reserve Bank, it is necessary to designate them in some way. There are several methods that can be followed, and I think the country bank should use that best suited for its needs. In a large bank that handles items covering several sheets, I would suggest that they segregate the national bank items from state banks and trust companies and list them on separate sheets, marking at the head of the sheet just what it contains. This will eliminate any necessity of giving the title of national banks, but if they desire to take advantage of the $1\frac{1}{2}$ cent rate for state banks and trust companies that can be handled through the Federal Reserve Bank it is necessary to mention the title of the in-

stitution. I believe this method more suitable for country banks than to list with national banks those state banks and trust companies that can be handled through the Federal Reserve Bank. If later on a majority of the state banks and trust companies go into the Federal Reserve System it would probably be more convenient to list the assenting institutions with national bank items. For a small country bank sending one sheet of items daily I would recommend that they first list all items on national banks, giving only the place of payment and the amount; then take a subtotal and mark it "Total National Bank Items," following this with items on state banks and trust companies, giving the title of the institution, place of payment and the amount, followed by the grand total.

The only other element of cost is what is termed "overhead charge." This covers postage, stationery, clerk-hire, rent of floor space, light, heat, loaning expense, interest on fixtures for department, insurance and taxes, reduced to a per item cost.

AS an offset to these elements of expense these is the income from the net balance available for loaning, calculated at the average rate for money plus the interest received on that part of the reserve permitted to be carried in central reserve cities. To arrive at the net balance to loan, take the gross book balance, deduct the outstanding time to get the net collected balance on which reserve must be carried according to law; then deduct the reserve from the net collected balance, and the result is the amount available for loaning. Some banks go even farther than this and deduct from the amount available for loaning that portion of their uninvested funds in a ratio to the total amount of deposits, but I have always contended that it is not the fault of the depositor if the funds are not invested, as the city bank may have some good and sufficient reason for carrying a larger reserve than required by law, and over which the depositor has no control.

Another item of importance is the character of the account; that is, are you permitted to charge the items against the balance and do they handle what you send them at par? If either or both of these exist, it is necessary to make them an allowance for the time the items would have been outstanding had they been sent for immediate remittance, or the amount of exchange prevailing in their locality if the items could not have been collected through the Federal Reserve Bank; and if they could have been collected through the Federal Reserve Bank an allowance of $1\frac{1}{2}$ cents per item. Taking the various costs as debits and the income as credits, a statement of the analysis would appear as follows:

Debit.

Exchange cost on items received.
Interest on balance.
Overhead cost.
Exchange paid in excess of Federal Reserve cost.

Credit.

Income from available balance.
Income from reserve in central reserve cities.
Allowance for time on items sent them.
Allowance for exchange on items sent them.

Result is loss or gain.

I HAVE endeavored to outline what I consider a full detailed analysis of a bank account, and now let me pay my respects to the manager of such a department.

There never was a time when the analysis department was as important as it is to-day. This is due to the many changes made necessary by the Federal Reserve System. Well-regulated Philadelphia banks have always endeavored to collect their items as cheaply as possibly, having due regard for direct service, thus enabling them to handle at par a large ratio of exchange in proportion to balances maintained. The changes

were few as compared to what has taken place since July 15, when the Federal Reserve Bank inaugurated its present system of handling checks at 1½ cents per item on member banks and state banks and trust companies that have agreed to remit the Federal Reserve Bank at par; or on state banks and trust companies that can be collected through a member bank. The old proposition to collect at par a certain ratio of exchange to balance on a given territory has been so changed as to make itself almost a stranger. The change, however, is in favor of the country bank, as the lower cost increases the ratio. The law, however, like nature, seeks to equalize matters, and the country national banker must face the question of a decrease in the amount of reserve he is permitted to carry in a reserve or central reserve city bank; in other words, the decreased cost of collecting items by the Federal Reserve Bank is offset by the amount of reserve the country national banker may carry in a reserve city bank. The decrease in this reserve requirement does not seem to have had the effect anticipated, as Philadelphia banks have more country bank deposits than ever before in their history. Taking October, 1916, as compared with October, 1915, our bank has shown an increase of approximately $4,000,000 in bank deposits, while the transit department has shown an increase of over $26,000,000 and the collection department an increase of $1,000,000. What will happen in November, 1917, when the country bank must carry all its reserve in cash and the Federal Reserve Bank, is a matter of conjecture. Unless the Federal Reserve Bank shall be prepared to handle all cash and collection items, whether on member or non-member banks, and from member or non-member banks alike, there will still be the necessity for the country bank to carry reserve city accounts, and either maintain adequate balances, which will not count as reserve, or pay a direct charge sufficient to compensate the reserve city bank. The country banker understands this condition better than he has ever known it before, but he does not analyze his account, and naturally he is not going to bring up the question —it will remain for the reserve city bank to call it to his attention. Some reserve cities have already anticipated this condition and inaugurated a schedule of charges, while others have declined to pay country banks any exchange if their items can be handled through the Federal Reserve Bank.

This question of exchange is having the attention of some of the best brains in the banking business. The country bank has been making a good profit out of it and is loath to give it up, while the city bank does not feel that it should pay the country bank exchange on items sent them and collect their items at par unless they receive something in return. The framers of the Federal Reserve Act had in mind that the proper party to pay the exchange was the drawer of the check, but the managers of the transit departments of the twelve Federal Reserve Banks, when they met in Chicago last May, realized that while this was correct in theory the long-established custom in this country has been to charge the depositor, and they made this recommendation to the Federal Reserve Board, which was adopted.

In an effort to arrive at some equitable solution, satisfactory to the country bank, the city bank, the Federal Reserve Board and the general business interests, the president of the American Bankers Association at the Kansas City convention appointed a committee of twenty-five, composed of fifteen country bankers and ten reserve city bankers. The secretary of this committee is sending out a form containing fourteen questions for use of secretaries of the several bankers' associations in taking referendum votes.

Whatever the result may be, and no matter under what law or regulations of the Federal Reserve Banks we operate, the members of the Philadelphia Clearing House Association will no doubt give their correspondents the same careful attention to all business entrusted to them as they have in the past, and on the most liberal basis possible.

The Philippine National Bank*

By HENRY PARKER WILLIS

THE Philippine National Bank, established by Act No. 2612 of the Insular Legislature, and formally organized on May 2, 1916, is an institution of more than passing interest to the business men of the United States. Not only is it a strong institution with resources ranking well among Oriental banks, but it is the fiscal agent of the Government of the Philippine Islands, holding the current resources of the latter and vested with a public quality not possessed by any purely private banking organization in the archipelago. The Philippine National Bank on July 24, 1916, took possession of adequate and well equipped quarters at 84-96 Escolta, Manila, and is therefore conveniently situated with respect to the principal business enterprises of the city and thus of the islands as a whole. Since that time it has embarked upon a general banking business, including the issue of notes, the buying and selling of foreign exchange, the making of commercial loans, the discounting of paper and the receiving of deposit accounts.

BANKING IN THE ORIENT

IN China and Japan there are a number of notable financial institutions of large capitalization, sound management and broad connections. Some of these institutions as well as others have branches in Manila and in the past have done a large part of the banking business there. There has, however, been no particular reason why they should seek to develop the internal resources of the Philippines, and they have very naturally confined themselves quite generally to exchange operations and a limited class of commercial business. The Philippine Government has been obliged at times to supplement private banking activities by making advances, sometimes through local banks, to agricultural and other enterprises.

HARRY PARKER WILLIS
SECRETARY FEDERAL RESERVE BOARD

As is well known, it has also exercised through its Treasury Department the function of maintaining the currency of the islands at a parity with gold. The Philippine National Bank is thus a natural outgrowth of conditions. It has taken over most of the banking

* Reprinted from the "Journal of Commerce," N. Y.

functions heretofore exercised by the Government, and is supplementing existing banking institutions by undertaking operations which they have not cared, or else were not fitted, to take up. It is also to some extent unavoidably occupying the same field as these other institutions, but it in nowise seeks to limit their business, but rather to further it. Since its organization it has stood ready at all times to rediscount any paper that might be presented to it locally. As time goes on it may be expected to establish branches elsewhere in the Orient, as well as in the Philippines, and thus to become a general Oriental institution, not confining itself exclusively to the Philippines, but endeavoring to develop trade between the Philippines and other parts of the East. For the present its work will naturally be confined to the islands themselves. It has already opened twenty-seven agencies in as many provincial capitals, where deposits are received and exchange sold, and at which applications for loans may be filed for transmission to Manila. Two regularly equipped branches, one at Iloilo, the other at Cebu, are to be fully organized in the near future. The bank has established relations with correspondents in Japan and on the China coast, and is buying and selling exchange upon Eastern points generally.

RELATIONS WITH GOVERNMENT

THE Philippine National Bank has an authorized capital of 20,000,000 pesos, or $10,000,000 gold, of which 10,100,000 pesos has been subscribed by the Government of the Philippine Islands. The remainder of the stock is offered to public subscription and is being gradually sold and taken up. The subscriptions of the Government extend over a period of five years, but enough has already been, or is in process of being, paid in to furnish, with the private subscriptions already made, an actual cash capital of about $2,000,000 gold. As the depositing of insular, provincial and municipal funds throughout the islands with the bank is made mandatory, except in cases where public well being may demand the use of other banks, the institution already has control of a large volume of public funds, its aggregate resources approximating 35,000,000 pesos, or more than $17,000,000 in American currency. The responsibility of the Government for the institution is, of course, not measured merely by the fact that it owns a majority of the stock, but also by the fact that the actual cash means of the Government are so largely in the hands of the bank. The act creating the institution provides for a careful auditing of the accounts of the bank at regular intervals by the auditor of the Philippine Islands, who is also made auditor of the bank, while a regular bank examination by the Treasury Department to ascertain the general condition of the institution is likewise provided for. The Insular Government is thus responsible in three ways for the good conduct of the institution—as stockholder, as depositor and as examiner or supervisor.

The president and vice-president are appointed by the Governor of the Philippine Islands, and since the Government controls a majority of shares it will always control a majority of the board of directors. The president of the bank is chairman of the board of directors.

The transaction of general Government business, the receipt of current deposits, payment of Government checks, making of remittances to foreign countries and the like are now in the hands of the Philippine National Bank, so that its duties are distinctly of a public character from many standpoints.

INTEREST OF BUSINESS MEN

THE interest of American business men in the new institution should be genuine if they are at all concerned in Eastern trade. As seen above, the

Philippine National Bank is already doing a substantial local business in discounting general commercial paper, but it is likewise assisting the development of Philippine enterprises, and it will also be in position to help in the expansion of insular business with other countries to a very material extent. One of the chief objects of its creation has been that of carrying further and rendering more effective the work of the former Agricultural Bank, which had already rendered good service in helping the growers of sugar, hemp, tobacco and other agricultural staples through long-term loans. The new bank has extended during the present season large short-period loans to sugar growers and has made considerable advances in connection with the milling of sugar. American business men who are looking to the development of a market in the Philippine Islands are being accommodated through the usual methods of opening credits and financing importations adopted by well organized banks; while, as already seen, local exporters are being aided in bringing their products to market, as well as in merely financing their shipments. It has also opened credits in the United States for some of the principal importers in the Philippine Islands and has similarly begun financing trade operations between Manila and the adjacent coast of China. Some business has already been done in trade with Japan. Owing to its connections abroad and the scope of the business already placed in its hands, it has been able incidentally to exert a moderating influence upon rates of exchange, which, as is well known, fluctuate much more widely in the Orient than in Western countries and tend to be decidedly unfavorable to the business community. In order to facilitate general banking business in the Philippines, the Philippine National Bank has left considerable sums on deposit with various other institutions in Manila that they might the more readily accommodate their clientele and not be subjected to the necessity of rediscounting except insofar as they might see fit to do so. The depositors of the bank already number some of the most responsible firms of Manila, including not only Americans and Filipinos but also Spanish, Chinese and other foreign business houses. The bank from the beginning adopted the policy of absolute neutrality in all of its operations, a plan not only consonant with the position of the United States but also required by the cosmopolitan character of Oriental business and the present position of Eastern trade relations generally.

SIGNIFICANCE OF BANK

THE broader significance of the bank for general trade relations between the United States and the Orient deserves particular emphasis. It is representative not only of local needs but also of the increasing interest in foreign trade between the United States and the Philippine Islands, and of the increasing volume and scope of this trade. The Philippine National Bank expects to establish at an early date an agency in New York for the purpose of extending accommodations to individuals interested in insular business as well as to serve the requirements of Eastern trade in general. It is thus approaching the problem of American foreign trade from the same point of view, although from the side opposite to that seleteed by those institutions with headquarters in the United States which have established branch banks abroad. The reason for its existence and for its branch in the United States is identical with the considerations that have led American banks to create foreign branches. The fact that it is a governmentally controlled institution will not, it is believed, affect its enterprise and initiative, but will give it a prestige and confidence in the Orient which it could not otherwise acquire except through a long period of growth. Its future success in this work of helping trade will, of course, depend largely upon the attitude of the business public toward it, and this in turn will be influenced in no small degree by the character of the service it renders.

The Recent Growth of Banking in the United States*

By ELMER H. YOUNGMAN

BANKING expansion has been experienced quite generally the world over since the outbreak of the European war. In the United States this expansion has been phenomenal, carrying the figures of individual bank balance-sheets and the aggregates of all the banks far ahead of any point heretofore reached. The explanation of this sudden banking gain, so far as it relates to the countries directly concerned in the war, may be readily found. The tremendous military and industrial activity to which war itself gives rise entails quite naturally an increase in banking transactions. Large issues of paper currency by the belligerent powers swell the balance-sheets of the banks directly through the additions to the stock of the circulating medium and indirectly but to a large extent through the advance in prices to which the inflation of the currency gives rise.

These influences have also operated, though with somewhat lessened force, to swell the totals of the American banks. The world-wide rise in prices has been felt in New York and elsewhere throughout the United States, if not to the same extent as among the belligerent powers, yet sufficiently to affect the gross results of trade and industry to an important degree and to find reflection in the bank statements.

The comparatively one-sided nature of much of our recent international trading has likewise been a contributing factor. While imports have remained comparatively stationary since the war began, exports have been enormously increased, and the balance of trade has been "favorable" to an unprecedented extent. This has been due to other causes than a failure to add to our imports. The large annual tourists' expenditures have been greatly curtailed by the war, almost stopped in fact so far as Europe is concerned. Furthermore, the amounts customarily paid to foreign shipowners for conducting our carrying trade have been reduced to a minimum, and the amounts remitted on account of dividends and interests on American investments held abroad have fallen off owing to our diminished borrowings and because foreign-held American securities have been repurchased in considerable volume in New York. This latter factor, under ordinary circumstances, would result in the export of gold, but under the abnormal conditions recently prevailing it has not had that effect. As is well known, the return of these securities has made it possible to ship supplies to the Entente Allies by stabilizing exchange rates between New York and London. The value of a large holding of choice investments in a national emergency was perhaps never better illustrated than in the use which both Great Britain and France have made of their American and other securities in mitigating the effects of the financial drain caused by the war.

Although American domestic trade has suffered in many lines as a result of the war, the great spurt in net exports, together with the tendency of the factors already mentioned, has furnished our banks with the material for vastly increasing their deposits and the loan commitments.

Foreign loans, to the extent of perhaps more than a thousand million dollars, now for the first time occupy a prominent place in American finance. Their volume bids fairer for some years to increase than to diminish, since the war will undoubtedly, for a time at least, impair the capacity of the European banks to handle these loans to anything like the same extent as they formerly did.

Allowing for the factors that have operated in the last two years to curtail our bank operations, it will be seen that they are greatly outweighed by others having the contrary tendency. As a matter of fact, American banking totals have grown surprisingly within the period that has elapsed since the European war began, as an examination of some recent figures will show.

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* Reprinted by permission from the "Journal of the Canadian Bankers Association."

Total Resources of National Banks in the Cities Named.

	Sept. 4, 1912	May 1, 1916
New York	$1,762,727,000	$3,087,332,000
Chicago	571,760,000	719,620,000
Philadelphia ..	440,526,000	545,084,000
Boston	357,580,000	481,306,000
St. Louis	213,752,000	215,927,000

Total Resources of All National Banks in United States.

Sept. 4, 1912	$10,963,400,000
May 1, 1916	14,195,595,000

State Banks, Savings Banks, Private Banks and Loan and Trust Companies.

1912	$14,124,878,000
1915	16,008,444,000

Total resources of all banks reporting to the Comptroller of the Currency on June 14, 1912, including National State Savings and private banks and also loan and trust companies were $24,910,743,171 and for June 30, 1915, $27,804,129,677, and including the twelve Federal Reserve Banks the total would be advanced to $28,185,585,677.

These figures are not given with the aim of showing that their size is the most desirable thing in banking; but at least they do indicate a very large addition to American banking resources and typify in a measure the industrial and commercial growth of the country.

Striking as these figures are, the growth of individual banks seems even more remarkable.

It is not so long ago that a bank whose balance sheet exhibited a footing of $50,000,000 was looked upon as something of a wonder, and when the hundred-million-dollar mark was reached, this was considered as a remarkable achievement. Now there are a number of banks that have exceeded this figure, while at least two or three have gone beyond $500,000,000. In other words, there are now two banks in New York whose total footings are just above equal to the combined resources of all the clearing-house banks so recently as in 1893.

To show just how rapidly a few of the leading American banks have grown, the accompanying figures will prove instructive:

Total Resources of Certain Banks.

	1912	1916
National City Bank, New York	$496,459,678	$615,286,597.91
Guaranty Trust Co...	239,676,686	520,744,575.24
National Bank of Commerce	200,365,802	329,507,625.23
Continental and Commercial Nat'l Bank, Chicago	225,747,208	269,360,875.25
First National Bank, Chicago	146,130,337	166,920,297.05
Nat'l Shawmal Bank, Boston	100,702,868	147,168,846.84
First National Bank, Boston	93,981,811	154,059,971.00
Philadelphia National Bank, Philadelphia..	59,812,624	96,036,156.67

One of these banks—the Guaranty Trust Company of New York—increased the total resources by $136,000,000 in a single year. The National City Bank, whose totals in September, 1912, were $496,459,678, are now above $600,000,000. It will be seen that, while naturally the New York banks, located at the country's chief financial centre, have shown the greatest growth, they have been closely followed by leading banks in several other cities, and especially by the Chicago banks. One of these institutions, the Continental and Commercial National, which has two other institutions affiliated with it, has indeed been not far behind the leading New York institutions in adding to the size of the balance-sheet.

THE CAUSES OF GROWTH

SOME of the causes of the recent growth of American banking have been stated, but there are others, and perhaps of considerable importance that may be mentioned. One is, undoubtedly, a closer intimacy between the banker himself and the various interests and ranks of life composing his clientele. If the banker in this country at any time was disposed to hold himself aloof from others in the community, that time has gone by, and the American banker of to-day shows keen interest in whatever concerns the general welfare and participates actively, and often to the point of leadership in all wisely conceived movements for bettering the conditions of life. With the farmer he has co-operated in securing the analysis of soils, fertilization, selection of seed, improved marketing and in stock growing. Indeed, so active has the banker become in some communities in urging better farming methods, that his interest has been misinterpreted and resented, but this spirit is exceptional. Generally the feeling prevails that the banker has shown this interest for other than selfish purposes.

As a result of these and other activities which might be cited the banker has come in closer personal touch and sympathy with the people of his neighborhood, and the business of the bank has increased in consequence.

There has been of late another influence which has contributed to a marked extent in the growth of American banking—the intelligent use of publicity. That this represents no mere *ex-cathedra dictum* appears from the experience of the Guaranty Trust Company of New York, whose growth has been referred to above as quite remarkable. This was one among the first of the larger New York financial institutions to establish a regular department of publicity and to select and to place at its head an experienced and capable man. The result has been such as to cause other bankers to begin an inves-

tigation of the possibilities of banking publicity, and many of them have taken definite action toward bringing its attractive powers to bear on their business. In the case of the New York institutions mentioned, there have been, of course, other more important elements to explain its growth—the general business prosperity and the rise of New York as an international centre of finance being chief among them, but well-directed publicity has also produced a large share of the company's gains. This statement receives confirmation by the recent recognition given to Mr. F. W. Ellsworth, the head of the Guaranty Trust Company's publicity department, in making him an officer of the company.

While many of the larger city banks are maintaining departments of publicity designed to bring the bank's advantages to the attention of the public in a way to attract new business, numbers of the country's banks, unable to incur the expense of departments of this character, are patronizing syndicate advertising services, and a number of organizations have sprung up for furnishing this service, and their business, in some cases, at least, has grown to large proportions.

The tradition that bank advertising violates the ethics of the banking profession has been relegated to the scrap-heap, so far as American bankers are concerned, and some of them in their eagerness to attract public notice and add to their deposits have seriously stained the commonly accepted maxim that "bank advertising must be dignified."

MORE EFFICIENT BANKING SERVICE

GREATER efficiency in banking service must also be given credit for the increased business the banks are doing. Until comparatively recent years the growing American banker has lacked the facilities for special training which were common in Great Britain and her colonies, but now, thanks to the course of instruction provided by the American Institute of Banking, he has the opportunity to qualify himself with thoroughness for the duties of an exacting profession.

Better banking laws and more careful supervision by State and Federal authorities have also exercised a constructive influence upon our banks. In many countries the control of banking has been left more largely in the hands of bankers themselves than has been deemed consistent with safety in the United States. The policy of non-interference has worked well in the older settled countries where other conditions are stable, and the banks few, with large capitalization, and under the control of skilled bankers. That a similar policy would prove satisfactory here under totally different conditions is not the opinion of those most familiar with American banking experience. At all events, the tendency toward more stringent banking laws, and a more rigid system of governmental and clearing-house inspection, is manifest. The standard of management and safety has materially advanced in recent years and public confidence in the banks has grown in consequence.

The trust company has furnished a large part of the huge banking figures which have piled up in this country in recent years. They have been called "department store banks," because there was hardly any banking service (save that of issuing notes) which they could not perform. Undoubtedly they have supplied a real banking need. So effective have been their efforts that many of the ordinary State banks established a trust company, either upstairs, in the basement or around the corner. Some of the States permit the organization of trust companies to carry on a general banking business in addition to the usual functions of a trust company and savings bank. The Federal Reserve Act provides for the bestowal of trust company powers upon national banks.

DIFFERENCES BETWEEN CANADIAN AND AMERICAN SYSTEMS

IT has been a subject of remark among financial students that two countries joined so closely as are Canada and the United States, and whose people speak the same language and hold many traditions in common, should exhibit such striking dissimilarity in their banking systems. Canada has only thirty-eight chartered banks, and all possessed of large capitalization, while in the United States there are some 25,000 or 30,000 banks, whose capitalization is as low as $25,000 in the case of national banks and even less for the State banks. Branch banking, which is practiced so extensively in Canada and most other countries, has scarcely obtained a foothold in the United States. It is permitted to a few of the State banks, usually in a limited way, but has heretofore been denied the national banks, except that in a few instances state institutions when entering the national system have been permitted to retain their branches. At the time this is written a bill is pending in Congress authorizing national banks to establish branches within a limited radius of the head office. Under the terms of the Federal Reserve Act branches may also be estabished in foreign countries.

In regard to their note issues the banks of the United States and Canada vary as

much as in the particulars just cited. Canada has a true credit bank note, while the United States has adhered to government paper currency since the State bank notes were taxed out of existence in 1865. This has tended to make the American banks less serviceable to commerce than they might have been and has probably retarded their growth, especially in the South and West, where the bank note would have been of considerable utility.

It has been said that the banking principles favored by Alexander Hamilton, the first secretary of the United States Treasury, and adopted by him in establishing the Bank of the United States, have been put in practice in Canada and rejected in the United States.

As Hamilton is still generally regarded as the foremost financial authority this country has produced, the above statement, if true, ought to be of more concern in the United States than in Canada.

SOUND GROWTH

A QUESTION naturally arises as to the soundness of our banking growth. This doubt, it is believed, can be resolved in favor of the banks. The standard of bank management in this country tends constantly toward improvement, as already stated, and the majority of the banks are in good condition. The test applied in the great war crisis in the summer of 1914 proves the general soundness of our banking system. Banking failures, while still too frequent, are diminishing both in number and in the losses entailed.

There may be some danger in the new responsibilities the banks are assuming on account of international financing, though this is not probable for the reason that such transactions are in the main in the hands of bankers having large command of capital and of exceptional skill. The extension of American branch banks into foreign lands presents some difficulties, and here caution will have to be observed. Great as has been the growth of banking in the United States in recent years, few careful observers believe that the rate of growth has reached its limits. We are far behind some other nations in the ratio of savings depositors to the total population, while the enormous amount of currency in circulation indicates that the check and deposit system still has room for expansion.

As to the result of the growth of American banking so far as it affects the position of New York as an international financial centre, predictions at this time are of little value. Big banking totals do not necessarily indicate the possession of the elements of trading superiority upon which banking supremacy is created and maintained. For some years, and possibly without limitation as to time, New York will transact an increasing share of international banking and finance. But it does not follow that the temporary importance which New York has gained through the abnormal situation arising out of war will result in permanently dislodging London from the dominant financial position it has long held.

Revised Digest of the Federal Reserve Act

IMPORTANT revisions of the Federal Reserve Act are contained in a "Digest of the Federal Reserve Act," published for free distribution by the Guaranty Trust Company of New York. The original laws and all amendments, up to and including those of September 7, 1916, are outlined in this useful publication.

Since the Federal Reserve Act went into effect November, 1914, various supplementary provisions have greatly increased the functions of the member banks. These changes now permit member banks to deal in domestic acceptances; to place with the Federal Reserve Bank reserves formerly required to be held in their own vaults; to accept drafts from foreign bankers; to invest up to ten per cent. of capital and surplus in an institution chiefly engaged in international banking; and to perform many other banking duties, all of which are fully explained in this booklet.

The Branch Bank Menace

By **WILLIAM J. COUSE, President, Asbury Park (N. J.) Trust Company**

IN 1913 the New Jersey Legislature passed a law permitting trust companies to establish branches in counties in which the parent company was located.

This special privilege was secured by certain big financial interests as a part of their plan to control money and credits by a banking monopoly. There was no demand from the public for this legislation.

This subtle law was passed quietly before the people of the state realized that it was secured by one or two large institutions located in our largest cities, and represented the first step in the move for state-wide branch banking. This was immediately followed by an effort at the next session of the Legislature, in 1914, to remove the county barriers, and provide for unrestricted operation of the system.

The independent bankers did not awake to the dangers that menaced them until a bill for this purpose had passed the House, "like a ship in the night," and was traveling rapidly in the Senate, booked for safe passage and enactment into a law that would have given the big city trust companies a strangle hold on the smaller banks throughout our commonwealth. *This bill, if enacted into a law, would have permitted one large trust company owning five banks in five different counties to have converted them into branches, withdrawn several millions in capital—escape approximately* $20,000 *in taxes—competition absolutely unfair to the independent banker.*

The Monmouth County Bankers Association, of which I am a member, aroused state-wide opposition to this bill by sending telegrams to all the independent institutions, which resulted in the defeat of the bill.

Following this victory, our county association initiated a movement throughout the state for the repeal of the 1913 law, which permitted branches within county lines. A bill for this purpose was introduced in the Senate in 1915, and was passed unanimously by that branch of the Legislature, followed by a favorable vote of forty in the lower House, with only six in opposition.

In the face of this, two big trust companies exerted their influence and the Governor vetoed the bill, notwithstanding the fact that at the hearing before his honor there appeared over three hundred independent bankers, representing every county in our state, in favor of the repeal of the law, while only two banks appeared in opposition.

It was demonstrated absolutely that sentiment throughout the state was overwhelmingly opposed to branch banking in any form, and the Governor in favoring a monopoly of banking caused severe criticism and numerous newspaper editorials scoring his action.

We at once took up the task of passing the repealer over his veto. The Governor endeavored to pledge the members of the Legislature to sustain his veto, and the Commissioner of Banking and Insurance came out publicly in favor of state-wide branch banking.

A strong lobby was at work composed of attorneys for a public utility company which was owned by the same banking interests that had been backing the branch bank movement from the start.

Also all the political power available in both parties was mustered to accomplish our defeat. In spite of all we had

to contend with we succeeded in passing the bill over the Governor's veto through both branches of the Legislature, thus repudiating the dangerous principles embodied in the branch bank act. What was accomplished in New Jersey can be done in any state in the Union.

THE men who are trying to introduce branch banking in our country control big chain interests—combinations of banking, industrial and other enterprises.

Such a pyramid is hazardous and should not be linked up with legitimate banking.

The motive back of the branch bank movement appears to be intense greed for power.

It takes money to finance these big chain enterprises, and so in order that there may be ample funds to provide for expansion and also absorb each new grist of securities made necessary by the additional links added to the chain from time to time, a system of branch banks was deemed advisable so that interior counties might be tapped for needed supply. *An excessive rate of interest is offered to secure deposits.* The scheme is thoroughly selfish, the main purpose being to provide machinery whereby funds may be drawn into the banking department of the "chain combinations" to be used to finance their own schemes.

Should the hard-earned money of depositors be invested in securities of such enterprises, although they may be a fair business risk when operated by a private capital? Can it be considered a safe banking risk? And is not the money of the depositor in peril?

Whose needs are likely to be consulted in the disposition of the funds gathered in this way—the legitimate requirements of the business men of the community where the branch is located, or the demands of the enterprises fostered by the central bank?

The manager of a branch has no control over the funds deposited with his agency. He may recommend to his superior officers of the parent institution located in a distant city, but they absolutely control and dispose of such funds in ways that will be most advantageous to the management.

An examination of the annual reports issued by the Department of Banking and Insurance discloses the tendency of such institutions to invest in securities of allied corporations that a careful, independent banker would hardly deem prudent.

BRANCH banking provides the machinery for the centralization of money and credit. It operates against the development of the community where the bank is located and benefits only the central bank and its allied interests.

Where does the demand for branch banks originate? Has anyone heard of a single petition for it from the people who use banks? The independent banks scattered over our state are serving their communities and meeting the needs of their patrons without the aid of branches.

Have you heard of any community large enough to maintain a twenty-five-thousand-dollar bank going without banking facilities?

The branch bank movement was initiated by a few large institutions located in our largest cities, spurred on by their success in obtaining funds from smaller towns through the medium of purchased control in other banks.

Wherever you see such control you will find the discount line contracted to the minimum limit and the stock and bond investments expanded to the maximum; the securities, representing capital investments in enterprises, also controlled by the same central bank management. Under such a system, patrons of banks are at the mercy of the big interests and scant consideration is given small borrowers.

A stock argument of those favoring the branch banking system is that of economy of operation. How is this economy effected?

First—*By escaping taxes,* as the branch would have no capital which could be assessed. Not a good point surely for the citizens of the community, who would have to share in the cost of the amount that should have been borne by the bank.

Second—*By reducing reserves, the branches depending upon the parent institution for necessary funds* and based upon the assumption that funds could be readily shifted to meet requirements of the many branches. Hardly a safe proposition. If the parent bank became involved, down would go all the branches.

At signs of financial stress the first to run to cover and plead for help are the men who control monopolistic banking combinations of this sort.

In Great Britain there is only one separate bank for approximately four hundred thousand of population, while in the United States the proportion is about one bank to every four thousand of population.

The United States has over twenty-five thousand banks, while Germany has less than five hundred parent banks with seventeen hundred branches.

The Monetary Commission reported that in 1908 France had only twenty-seven banks with fifteen hundred and fifty-two branches.

Banking resources are more fairly distributed in the United States than in any other country in the world—and this has made our rapid development possible. Branch banking would remove this, and like the Standard Oil pipe line the flow of capital would be all one way—to the great business centers.

An item in the Boston "News Bureau" of October 19 shows the tendency of the branch banking system to monopolize. "Montreal special says newspapers have noted that on completion of absorption of Quebec Bank by Royal Bank of Canada number of chartered banks in the Dominion will fall to 21. In 1912 the number was 26, compared with 29 in 1909, 38 in 1899 and 41 in 1889."

SUBSTITUTE for the independent banks which are supplying the needs of their respective communities, a few large city banks with branches scattered all over the state wherever they find a chance to scoop in a dollar, and you have a particular brand of monopoly that will bode little good for the interior communities.

The establishment of branch banks will mean the enrichment of the monopolists at the expense of territory. where the branch is operated and the blighting effects would be swift and sure.

The new Federal Reserve Law was devised with a view to preventing control of the money and credits of the country through big central banks.

J. Lyle Kinmouth, in an editorial in the Asbury Park (N. J.) "Press," states the issue very clearly: "Control of the money and credits of the country through big central banks has been a menace that the new Federal Reserve Law, by dividing the country into twelve reserve districts, has endeavored to avoid. The Central bank has never been popular with the American people. Andrew Jackson won the presidency on the issue, and except the proposed Aldrich bill, no serious attempt to evade the wish of the people was made until the 'branch bank' idea was gotten under way. The two systems of banking can not exist side by side. Either the independent banks must go or the big central 'parent' bank with its capitalless branches must be held in check. 'Big' financiers have always explained to the public that 'little fellows' did not know how to make a dollar go far enough in the banking game. The 'big fellows' ' idea sems to be to 'sleight-of-hand' capital so that while you are looking at the place where it was put in and you are sure it is there, it can be withdrawn and used in other enterprises. Clever but dangerous; insecure and unsound. The branch bank is a necessary 'property' for the financial 'prestidigitateur.' The American people will have none of it. The independent banking system is the only system the American people will permit. The 'big'

financiers will have to concede that much to the 'little fellows' because the public will demand it."

BRANCH banking under state control is bad enough, but even worse would be any proposition to introduce this dangerous monopoly through enactment of Federal laws.

I am not in favor of branch banking because in my opinion it places the control of the banking business in the hands of a few big institutions which cannot be intimately acquainted with the various local needs. The inevitable result is that local credits and accommodations are restricted and the funds of the parent and branch banks are diverted to financing big enterprises and invested in securities, which more properly belong in the domain of private enterprise. This is absolutely true in New Jersey, as will be seen by consulting the statements of the controlled banks already in operation. *Such institutions cheerfully pay four per cent. for the use of the depositor's money.*

Branch banking is wrong in principle and any limitations that might be made would not safeguard the independent banks from the danger of a gradual extension of the system. It has no proper place in the United States, excepting to foster a monopoly of banking on the part of a few large institutions and this is directly against the public's interest and opposed to the spirit of the present day. The consolidation of banks in any locality is a matter that must depend upon local conditions. Any attempt through consolidation to abuse the power the banks have would undoubtedly result in other banks being started. So long as the capital of the banks is locally owned and controlled it will be sensitive to local needs.

The bill introduced into the House of Representatives on May 17 last by Congressman Carter Glass was materially modified, so that branches might be operated only within city limits. As originally drawn, this bill provided that any national bank might establish branches within the county in which it was located. This bill was temporarily withdrawn, but I am informed it is to come up again at the next session of Congress.

Branch banking promulgated by a national banking system would be a very dangerous proposition, and once established it would mean disintegration of the independent banking system of the United States.

It is necessary that the independent bankers co-operate in order to prevent the introduction of this dangerous monopoly in our country.

Twenty-five Years of Humanities and Banking

UNDER this title the Union Trust Company, Detroit, Mich., on the occasion of the twenty-fifth anniversary of its founding, published an informative pamphlet which tells in plain yet effective language of the services which the institution has been able to render its clients. The matter is written with a personal touch which is very effective. This is decidedly a piece of trust company literature of the better sort, and is a decided credit to Mr. James E. Butts, in charge of the publicity work of this old and successful company.

Thrift Day—Its Significance as a Factor in National Well-being

By THOMAS ALEXANDER BAGGS

THE first anniversary of Thrift Day will be celebrated throughout the United States on February 3, 1917. For Americans the day has peculiar and manifest significance. Few there are—even among perennial pessimists—who will demur as to the value and utility of such observance. The iron necessity of thrift in this third year of the European war has struck home with a vehemence astonishing as stringent.

We live today in the dawn of a new and greater age. There needs no rattling of the dry bones of facts and figures to convince clear-thinking Americans that we are passing through one of the acutest crises which have yet confronted our national existence. Swiftly, as at the touch of a magician's wand, we have changed from the world's debtors to the world's creditors. The war boom has prospered our industries. Our opportunism has lifted us to supreme heights of commercial and fiscal triumph. Our aggregate of exports has surpassed our wildest dreams. The economic achievements of our bankers and financiers in their handling of large international credits are none the less real and remarkable. New York has become the world's money center. Everywhere prosperity abounds, bewildering in its magnitude.

But the medal's obverse is disconcerting. The rise of prices, the unrest of labor with its ever-insistent, increasing demands, do not make for national well-being. Nor can inflated modern conditions with their inevitable tendency to extravagance produce other than disquieting symptoms. Extravagance, indeed, has become a dominant national characteristic and extravagance, none can deny, is the arch-enemy of efficiency. Within two years, maybe a year, the travail of Europe may cease; the laws of supply and demand will again assert their irresistible influence. Then the competition for world trade will be renewed with relentless vigor and with all the rebounding force of long-pent-up, systematized effort. Exactly in proportion as we prepare for that time, organizing our industrial resources, coordinating and concentrating our efforts, we shall emerge thriving and successful. Immense wealth entails immense responsibilities. Unless we realize and discharge these responsibilities by striving for coöperative national efficiency, our supreme prosperity of the present will be but a flash in the pan.

WITH this vision of a greater and more powerful America, secure in world finance and trade, Thrift Day was last year inaugurated. Recognizing thrift in its broadest sense as efficiency, the Philadelphian founder of the movement conceived the idea of a special day, once a year, for concentrating the collective mind of the nation on thoughts of efficiency, personal and public. The idea, sprung at an opportune moment, proved a generally desired opportunity. In every state of the Union Thrift Day, 1916, was celebrated. In Pennsylvania, Ohio, Missouri and Iowa, more than forty different communities in each state ob-

THRIFT DAY

Feb. 3rd.

Stop Putting Off—
Make The Start

VISIT THE BANK

THRIFT DAY

Feb. 3rd.

Celebrate with Actions
for Greater Thrift

VISIT THE BANK

THRIFT DAY

Feb. 3rd.

Begin Practicing
Thrift Today

VISIT THE BANK

THRIFT DAY

February 3rd.

An Especial Welcome

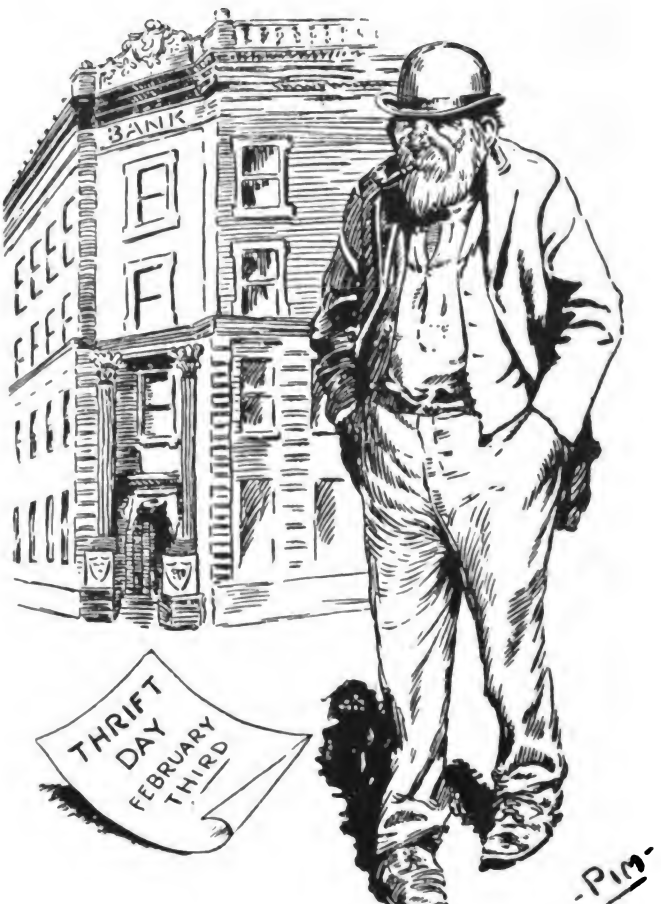
REPRODUCTIONS (REDUCED) OF THRIFT DAY POSTERS FURNISHED BY BANKS TO LOCAL MERCHANTS AND PROMINENTLY DISPLAYED IN STORE WINDOWS FOR FROM TEN DAYS TO TWO WEEKS PRIOR TO THRIFT DAY. ALSO THE THRIFT BUTTON

served February 3 with every conceivable method of publicity. A beginning of real and emphatic observance was made. As to its merits there are no two opinions. To quote a prominent Kentucky banker, voicing in effect the views of the hundreds who last year coöperated:

"During the past two decades no more significant movement has arisen in America than the present movement for thrift. In these tumultuous times thrift—which is but another word for preparedness—is America's crying need. * * * The public observance of a special Thrift Day has stamped, I believe, an indelible impression on this community. In not a few instances it has converted every day into a thrift day and the example is spreading. Thrift Day, I am sure, has come to stay. Its place in the calendar will finally be as impregnable as Thanksgiving or Christmas."

News, 2-3-16, BIRMINGHAM, ALA.

THIS FELLOW DIDN'T BELIEVE IN THRIFT



AT THE TIME OF THE FIRST OBSERVANCE OF THRIFT DAY, FEB. 3, 1916. IMPRESSIVE CARTOONS, EDUCATIONAL IN THEIR EFFECT, APPEARED IN THE PUBLIC PRESS. THE ABOVE ILLUSTRATION IS REPRODUCED FROM A SOUTHERN PAPER

The conversion of every day into a thrift day is the aim of the Thrift Day movement. It is not the myopic vision of a nation tearing and wearing its way to the receiving teller's window that has inspired the advocates of the day. Such an eventuality naturally follows from the practice of thrift, though the saving of money itself, few will fail to recognize, is a result rather than a beginning. If, however, the American people can be induced to understand thrift as efficient self-management in all affairs of daily life, in wisely spending time, energy, health, as well as wealth, the movement will have accomplished its very desirable purpose.

Thrift Day, therefore, is educative in purpose and effect. It represents the application of one of the most interesting psychological processes—the influence of concerted action upon the individual.

"We are creatures of habit," said Herbert Spencer. "We succeed or we fail as we acquire good habits or bad ones; and we acquire good habits as easily as bad ones." Now, to err is hu-

man and humanity is mercifully imperfect. The acquisition of good habits may be easy as necessary, but human nature romantically prefers the middle course where good and bad commingle. While recognizing the value of virtues, it is content with its milder vices, improvidence among them. In the matter of thrift, it shows no lack of willingness to save, but lack of will to make a beginning. And it is this first step toward saving which counts. "Dimidium facti qui bene coepit habet" (Well begun is half won) runs the old adage of our school days. To begin, there must be some inducement, some incentive to translate the will into action. A specific day on which to begin saving in money, health, time or energy, in common with one's friends and associates offers such an incentive. The sense of camaraderie impels performance; concentration of the collective mind on one subject at one special and appropriate time with one definite purpose and action in view bespeaks almost certain achievement.

The results of Thrift Day, 1916, amply confirm this hypothesis. Other examples of the annual day idea are equally corroborative of the value of common effort. The idea of planting trees, for instance, to repair waste and conserve the national timber supply never attained any proportions until Arbor Day forced the public mind to think and act to some purpose. The number of trees planted since Arbor Day's institution not only on each annual celebration, but also throughout the year, compared with the number of trees planted annually when the idea was treated in a general way is in the proportion of approximately a thousand to one, a difference constantly widening as the idea grows. Similarly the Thrift Day movement is educating and developing the American public to a proper appreciation of thrift.

For the banker the Thrift Day movement is creating a new sphere of influence, more definite and therefore more cogent than any hitherto possible. Its value for banking institutions of all kinds cannot be minimized. Commercial banks, savings banks and trust companies all benefit. More particularly its merit is the securing of a more intimate relationship between banker and public, the establishment of closer confidence and understanding. Successful banking is firmly rooted in national solidarity. Thrift in the individual makes for this strength and dependability of character: for the nation it secures prosperity in the present and preparedness, most desirable of all virtues, in the future.

WHEN the sword is sheathed in Europe and the process of reconstruction begins, then shall we first realize the true quality of our citizenry. The safety, honor and welfare of the nation is in the hands of each individual. It were folly to speculate as to the outcome of the present economic upheaval or to prophesy future trade and financial conditions which are as likely to be revolutionary as those of the new world in which we live. It is indubitably true that the *bouleversement* of Europe has showered advantages upon us, increasing instead of depleting our resources, establishing us supreme among the nations. Shall we realize our responsibilities? Shall we coöperate and organize and weld ourselves into a unity, mightier because more prepared than those to be arrayed against us?

Perhaps the most vital and valuable issue of the war among the various belligerents has been this recrudescence of the spirit of national unity. There are signs that the American people realize equally its importance. But only by strangling extravagance and earnestly cultivating an organized efficiency can we hope successfully to emerge. The Thrift Day movement is a straight step in this direction.

Thrift Day, February 3, 1917, by its enthusiastic observance of that thrift which in the last analysis is the highest notch of efficiency, offers the nation a sterling opportunity of establishing and augmenting the present remarkable prosperity.

Making Good on Service

GEORGE C. VAN TUYL, JR., formerly head of the New York State Banking Department and creator of the Van Tuyl Commission which revised the New York State Banking laws, and now president of the Metropolitan Trust Company of the City of New York, who, in his present connection, is making a noteworthy demonstration in promoting good banking service, is much interested in the work he is doing.

"It is reasonable to suppose," said Mr. Van Tuyl, "that one may expect kindlier treatment from people who have been surrounded with an environment where courtesy prevails than from those in an atmosphere where discourtesy and selfishness are the order of the day. If a banking institution controls an employee's time during his working hours and also influences to some extent the use of his play time it would seem, if our premise is true, that it ought to a large extent to be able to give such character to his environment as to affect favorably the kind of treatment accorded to customers.

"A bank sells credit to its customer. The important thing in that customer's mind when he enters the bank is to get concrete money accommodation. But, in order to create a permanent and satisfactory relationship between the bank and its customers, much will depend upon the manner in which the accommodation is granted. The ordinary bank customer will gladly pay more for the service and the setting of his daily luncheon than he will for the food he consumes. Similarly, if a customer who applies to any one of the many departments of a modern bank for accommodation is met by courteous treatment he will doubtless remember the fact, but certainly he will retain more tenaciously in his memory acts of discourtesy and treatment.

"There is a great deal of loose talk of good service among bankers, and particularly many loose promises of good banking service are made by them through the medium of their advertising literature. The general hope exists among all bank officers that high class service will be rendered customers in every department of their respective institutions. This hope exists although

THIS MONTHLY PAPER PUBLISHED BY AND FOR THE EMPLOYEES OF THE METROPOLITAN TRUST COMPANY OF NEW YORK IS ONE OF THE METHODS BY WHICH THIS BANK IS CREATING A WONDERFUL SPIRIT OF LOYALTY AND SERVICE AMONG ALL WHO ARE CONNECTED WITH IT

little is done towards organizing their employees for service, and at least for preventing specific instances of poor service toward their customers, by laying the general ground work among the bank's employees for a knowledge of just what good service is, and to make it of vital interest among them to study

and to render it whenever called upon to do so.

"The company with which I am connected is seeking to fortify itself for guaranteeing good service to its customers in every branch of its business. The scheme that it has in mind is, first, to unite the bank's employees into one big organization of friends; second, with friendship as a basis, to promote team work among its employees; third by friendly contact and the spirit of fair play established between the bank's officers and employees to indirectly educate the employees to the true meaning of good banking service.

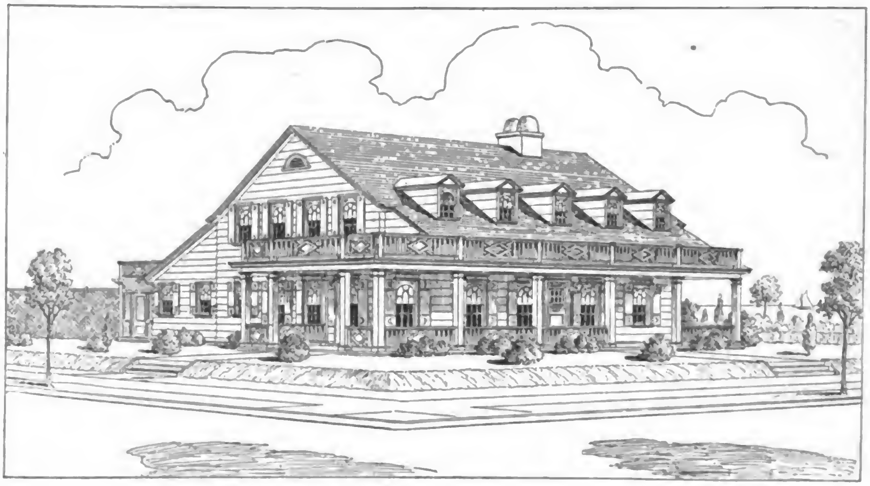
"To be concrete, we have accomplished this through the medium of an employee's club of which practically all are members. This club was organized by the boys, is officered and run by them and is distinctively their own institution. So successful were the beginnings of this organization that it encouraged the directors to provide for our employees a permanent club home, located in close proximity to the city and within easy access of it, and provided with all the facilities for friendly enjoyment and healthful competition. Our next step has been to suggest a friendly and democratically organized Board of Governors to supervise the use of the Club House. We are more than pleased with the whole undertaking.

"In addition to this we publish each month for the enlightenment of our employees a bank paper which awakens the interest of all by frequent mention of their comings and goings, by publishing notes of interest on the personality and previous experience of new employees, by commenting on the present and past activities of new officers and directors, and by publishing historical matter connected with thegrowth and progress of our institution and many other interesting matters. In this way every employee learns to know the company he is working for and indirectly the spirit that dominates its policy. In this little paper clippings from various sources showing the best instances of good service practiced by other successful institutions, both industrial and banking, are given prominent place. The spirit of the paper is service, the spirit that is behind it is service, the spirit that has promoted the Club and the Club House is service.

"The success of the project has been apparent from the very beginning. Friendships have been created and team work in the various departments of the bank, encouraged. Our customers notice it. A large per cent. of our employees are taking up the various opportunities for self-education that exist in the city. All the courses of institutions offering education in economics and banking subjects are being largely attended. The public libraries of the city are being utilized. In order for a man to be popular, not so much with the officers of the bank as with his fellow employees, he must be showing a desire for and an energetic participation in that which will make him, first, serve himself better by the development of his personality; second, serve the bank better by making himself a more efficient employee; and third, serve our customers better by combining personality, efficiency and courtesy in his daily contact with those who use the bank. In other words, our company believes that there is a logical, reasonable and constructive process of promoting true service. We expect to talk about it in our advertisements and in our booklets, but, better than all, we expect to insure good service by laying the foundation for it in our daily work and even in our play.

"We asked ourselves at first just how far the company was responsible for supplementing the education of our employees by special training conducted at the bank. We considered very carefully dividing our employees into grades and furnishing for them free of charge courses commensurate with their previous degree of education and present understanding.

"The thought was a very attractive one, and for a time the officers were favorably inclined in that direction, but direct education that comes too freely is scarcely ever appreciated at its full value, and we finally agreed that by stimulating indirectly a spirit for better things among the men, and a morale for self-government which would be pop-



THE METTCO CLUB HOUSE WHERE EMPLOYEES OF THE METROPOLITAN TRUST COMPANY ARE GIVEN FACILITIES FOR FRIENDLY ENJOYMENT AND HEALTHFUL COMPETITION

ularly regarded by them, we could accomplish more, especially as there are already available splendidly organized facilities for imparting technical knowledge maintained by those who are devoting a lifetime to the work. For the young, the city night schools are doing more than could possibly be accomplished by private effort.

"These courses are comparatively inexpensive, and we believe that we are unquestionably obtaining greater results for the boys by this indirect method of stimulating their interest and encouraging their activity in self-education than if we had burdened our institution and its officers with the responsibility for furnishing directly educational facilities. As it is now, we are devoting all our time and effort to the far more interesting work of drawing out the best that is in our men through sentiments of loyalty and appreciation. It is in this way that we believe we are really making good on service."

Growth of Southern Banks

[From a speech by Hon. Joseph E. Ransdell, United States Senator from Louisiana, United States Senate, July 7, 1916

IN natural co-operation with the South's marvelous growth in agriculture, mining, and manufacturing, her banking facilities have expanded enormously. In 1900 there were only 713 national banks in the South with total deposits of $456,000,00, while on March 7, 1916, 2,147 national banks, with deposits amounting to $1,636,000,000, were doing business. In 1900 the South had 1,589 State banks with deposits of $333,000,000, while in 1915 she boasted of 6,865, whose deposits totaled the colossal sum of $1,355,000,000. To put it in another way, in 15 years the number of southern banks quadrupled, while their deposits increased from about three-quarters of a billion to nearly three billions. These figures show that the South now has banking resources as great as the entire country had as late as the year 1884. Truly, Dixie is the land of opportunities, for although her growth was retarded for a while by various circumstances, she is now going forward with startling rapidity.

Meeting of Administrative Committee of the A. B. A.

THE Administrative Committee of the American Bankers Association met in the general offices in New York, October 30 and 31, the following members of the committee being present: President P. W. Goebel, chairman; Messrs. Charles S. Calwell, Philadelphia, and Richard S. Hawes, St. Louis, and General Secretary Farnsworth, secretary to the committee. The time of the committee was largely taken up with going over routine business of the Association, authority being vested in the committee to act on all matters of importance between the sessions of the executive council.

To the Administrative Committee was assigned by the executive council the final decision as to the time and place for holding the next annual convention and all other details in connection therewith; also the time and place for the spring meeting of the executive council. Atlantic City was selected for the annual convention of 1917; the week of September 24 as the date; and the Marlborough-Blenheim Hotel as official headquarters.

As there is a perfected business organization in Atlantic City which works in conjunction with the bankers of the city, this organization will handle the matter of hotel accommodations. Already contracts have been made with all of the hotels for prevailing rates, which are not increased for convention periods. The Association will have nothing to do with hotel reservations, and those desiring accommodations should communicate direct with the hotels of Atlantic City.

The bankers of Atlantic City are alive to the importance of the convention of the American Bankers Association and will co-operate with its citizens and business men in giving the Association a most successful convention. The time selected is the one considered the most desirable, as weather records for the past several years show generally good weather at that period.

COUNCIL TO MEET AT BRIARCLIFF

BRIARCLIFF LODGE, Briarcliff Manor, N. Y., was selected as the place for the spring meeting of the executive council. The dates for the meeting are May 7, 8 and 9. The hotel will be given over exclusively to the use of the Association for the spring meeting. The executive council is now quite large and with the members of various committees and sections will fill the hotel to its capacity.

STATE BANK SECTION

RETAILS in connection with the activities of the new State Bank Section were thoroughly discussed, the meeting being also attended at this point by J. H. Puelicher of Milwaukee and C. B. Hazelwood of Chicago, president and chairman of the executive committee, respectively, of the State Bank Section. Active work will commence immediately and it is expected that the State Bank Section will be made one of the strongest and most active in the Association. Mr. George E. Allen was chosen as secretary of the section, which duties he will perform in connection with his work as educational director of the American Institute of Banking; an assistant will be assigned to him.

LEGISLATION

THE following resolution was unanimously adopted by the Administrative Committee:

Resolved, That the Committee on State Legislation be authorized to draft

and recommend a suitable amendment to state holiday laws which will make valid the payment of checks by banks and other transactions on Saturday half-holidays in states which make Saturday afternoon a half-holiday, as well as in other states where, by reason of the provisions of the Negotiable Instruments Act, such transactions are of questionable validity.

The Administrative Committee was apprised of the present condition of the Association as applies to membership—16,229; the increase since September 1 being 213; also, that drafts drawn for account of annual dues were almost fully paid; further as to the financial condition of the Association as shown by the cash balances—all of which were considered in most satisfactory shape.

Further Gains in National Bank Figures

THE Comptroller of the Currency announces the results of the compilation of the reports of the national banks as of the date of the last call, September 12, 1916, as below:

The total resources of the banks amounted to 14,411 million dollars, an increase since the June 30 call of 485 million dollars, exceeding by 216 million dollars the greatest resources ever previously shown, those reported for May 1, 1916. As compared with the call of September 2, 1915, the increase was 2,144 million dollars.

The total deposits amounted to 11,362 million dollars, an increase since June 30 of 485 million dollars. They exceeded by 227 millions the deposits of May 1, 1916, which also were the largest deposits ever reported by national banks. The increase as compared with September 2, 1915, was 2,133 million dollars.

Of the total increase shown since June 30, 235 millions were demand deposits, 67 millions time deposits, and 203 millions deposits from banks and bankers. As compared with September 2, 1915, demand deposits increased 1,282 million dollars, time deposits 401 million dollars, amounts due to banks and bankers 450 million dollars.

That the deposits in the national banks of the Central Reserve cities from May 1, 1916, to September 12, 1916, show an actual reduction of 218 million dollars, while in other reserve cities there was an increase of 151 million dollars, and in the country banks an increase of 294 million dollars, is indicative of the healthy, progressive effect of the Federal Reserve Act in decentralizing and distributing the money of the country.

Loans and discounts amounted to 7,859 million dollars, the largest amount ever reported by the national banks, an increase as compared with June 30 of 180 million dollars and as compared with September 2, 1915, of 1,103 million dollars.

United States Government bonds, 729 million dollars, a reduction of one million as compared with June 30, 1916, and 51 millions less than September, 1915. Other bonds owned aggregated 1,624 million dollars, an increase since June 30 of 95 million dollars, and an increase since September, 1915, of 405 million dollars.

The banks' holdings of specie and legal tenders amounted to 768 million dollars, an increase since June 30 of 10 million dollars, but a reduction as compared with September, 1915, of 74 million dollars.

The amount due from Federal Reserve Banks amounted to 531 million

dollars, an increase as compared with June 30 of 55 million dollars, an increase as compared with September 2, 1915, of 216 million dollars. The amount due from approved reserve agents was 936 million dollars, an increase as compared with June 30 of 94 millions and as compared with September 2, 1915, of 125 million dollars. Due from other banks and bankers, 780 million dollars, an increase since June 30 of 86 million dollars and an increase as compared with September, 1915, of 183 million dollars.

Circulation on September 12, 1916, was 674 million dollars, a reduction since June 30 of two million dollars and a reduction since September, 1915, of 44 millions.

Bills payable and rediscounts on September 12, 1916, amounted to 89 million dollars, an increase since June 30 of 21 millions, but a reduction as compared with September 2, 1915, of 16 million dollars.

The total reserves of all the national banks on September 12, 1916, was 2,235 million dollars, an increase since June 30 of 159 million dollars and an increase as compared with September 2, 1915, of 266 million dollars. This reserve amounted to 24.29 per cent. of the net deposits as compared with 23.86 per cent. June 30 and 26.18 per cent. on September 2, 1915.

The national banks in the Central Reserve cities held 20.39 per cent. against 18 per cent. required. The Reserve city banks held 24.80 per cent. against the required reserve of 15 per cent., while the country banks held 26.62 per cent. against their required reserve of 12 per cent. The country banks are holding over 100 per cent. greater reserves than the law requires.

The excess of surplus reserve held on September 12, 1916, by all national banks, beyond the amount required, was 891 million dollars, an increase since June 30 of 90 millions, and an increase as compared with September 2, 1915, of 23 millions.

The Central Reserve cities held 63 million dollars of reserve in excess of the amount required. The Reserve cities held an excess of 260 million dollars, while the excess of reserve held by the country banks amounted to 568 million dollars.

Of the 2,235 million dollars of total reserves held, 768 millions were in the banks' vaults, 531 millions were with the Federal Reserve Banks, and 936 millions were with Reserve agents. The reports show that the National banks of the United States had in their vaults and in the Federal Reserve Banks an amount nearly equal to the total reserve which under the law they were required to hold, the reserve required being 1,343 millions and the amount actually held in vaults and with the Reserve Banks being 1,299 millions, so that the 936 millions held with the approved Reserve agents were nearly all surplus or excess reserve.

On September 12, 1916, the Reserve city banks were carrying with banks in the Central Reserve cities 319 million dollars, an increase since June 30 of 21 million dollars, and a decrease as compared with September, 1915, of 15 million dollars. Country banks were carrying with the Reserve agents, September 12, 1916, 616 million dollars, an increase as compared with June 30 of 73 millions, and an increase as compared with September, 1915, of 139 million dollars.

Annual Trust Company Banquet

ONE of the notable annual financial and social events of the year is the banquet of the trust companies of the United States, given by the Trust Company Section of the American Bankers Association. This event is scheduled for the Waldorf-Astoria, New York, February 26.

Meeting of Federal Reserve Board and Federal Advisory Council

ON November 21, the Federal Reserve Board and the Federal Advisory Council met at Washington.

The members of the Advisory Council are representative bankers from all sections of the country. The personnel of the council includes Daniel C. Wing of Boston, J. P. Morgan of New York, L. L. Rue of Philadelphia, W. S. Rowe of Cincinnati, J. W. Norwood of Greenville, S. C.; C. A. Lyerly of Chattanooga, James B. Forgan of Chicago, C. T. Jaffray of Minneapolis, E. F. Swinney of Kansas City, T. J. Record of Paris, Texas, and Herbert Fleishacker of San Francisco.

At the close of the meeting the following statement was given out as expressing the views of the Reserve Board and the Advisory Council:

"The Federal Advisory Council, which closed its regular quarterly session at Washington recently, devoted its attention to a survey of business conditions throughout the country, the reserve conditions in the several districts, and in this connection to a consideration of the situation produced by the large and continuing imports of gold.

"Members of the Reserve Board and of the Advisory Council expressed the view that there are no dangers that need come from further importations of gold in settlement of our heavy trade balances, provided proper methods are employed to control the gold and to prevent undue expansion. The consensus of opinion is that a general adherence to the policy of prudence and conservatism would be the surest means of maintaining our present prosperous conditions.

"The Council announced itself as in entire accord with the views already expressed by the Reserve Board, suggesting caution and moderation in the use of those credits which, being open for a long period of renewals, lose their character as essentially self-liquidating transactions of short maturity.

"The Council renewed its recommendation that the National Bank Act be amended so as to enable national banks in reserve and central reserve cities to establish branches within those cities.

"Another recommendation made by the Council was to ask Congress at its approaching session to amend the Federal Reserve Act so as to provide that the final steps specified in the act be taken early in the year 1917 instead of in November of that year as now provided, so that balances with reserve agents should cease to be counted as reserve after February or March, 1917. This change would reduce materially the present excess reserves and the so-called 'reserves' now kept by country banks with correspondent banks would henceforth be considered properly as bank balances only.

"This is a change which under the law must be made not later than November 16, 1917. In the opinion of the Federal Advisory Council and of the Federal Reserve Board, it would be effected now or in the near future without inconvenience and to the real benefit of the country. Both bodies agreed that it would be highly desirable to make this change at a time when we are certain that it can be done without any shock or jar, and when the increase of real reserve with the Federal Reserve Banks would be so effective in strengthening the control of the country's gold supply and would at the same time minimize any apprehension that might be felt because of its increasing volume.

"While all members of the Council represented excellent business conditions in their districts, statements were made that here and there some indications of increasing demand for credit facilities are to be noted, as well as a tendency on the part of some banks toward overinvestment of funds."

Banking and Commercial Law

CASE COMMENT AND REVIEW

The Practicability of a Knowledge of Banking Law

"I HAVE no right to send that check back," said a teller recently, as handed a bundle of "go backs" to the messenger, "because it is drawn on ourselves, and the acceptance for deposit was equivalent to payment."

Here was a practical man making a practical application of banking law to the day's work. He had received for deposit a check which at the time was short, and which he had held until 3 o'clock awaiting a promised deposit, which did not materialize. He knew that in the eyes of the law his acceptance of the check and the credit in the pass book was essentially payment, and he could not legally ask reimbursement from the indorser, after once giving credit for the amount of the check.

With the multiplicity of instances whereby a bank might suffer loss and annoyance because of little breaches of the law (every banking transaction being surrounded by legal rules and precedents) it is needful that every bank man know something of the fundamental laws governing banks and banking.

The banker who knows the legal reason for doing things will not only do better but safer work. Take the simple matter of protest, for instance. The clerk who is entrusted with this feature of banking may little realize how important is the simple element of presentment and protest. He may labor under the impression that it is an easy way for the bank to make "pin money," and do it the easiest and quickest way; but if he knows how important is the mere act of presentment and notice of protest when the transaction comes into court, he will have a care as to how he sends out his notices.

There is no better way of becoming well grounded in banking law than by a study of the Negotiable Instruments Law, now the foundation of all banking transactions in practically all the states, coupled with a reading of current cases, such as appear in the BANKERS MAGAZINE from month to month. And having some idea of what other banks have done and gotten into trouble, the pitfalls of banking may be avoided. These cases are selected for their interpretation of the fundamentals of a law as they affect banking, and for their application to the day's work.

As a matter of law the teller had no legal right to send back a check on his own bank, once the credit was given, any more than he would have been able to recall the money, once having paid it over the counter. He took a chance and won, because the depositor knew no better; but banking is not a matter of chance, but of settled legal principles.

The bank that is dominated by a legal mind is apt to endeavor to be so safe that it is hampered on every hand, and often stands in its own light in the effort to secure absolute protection, and therefore unresponsive to the demands of business; but the bank that is permeated by a well-grounded understanding of banking law, coupled with business practice, will take a banker's chance, but be safe withal. A bank can have too much law and it can have too little; the secret lies in choosing a middle ground of "just enough."

Leading Cases

Collections

New York

Liability of Bank for Collections—Laches—Payment of Notes

Court of Appeals of New York, July 11, 1916.

HEINRICH VS. NAT. BANK OF MIDDLETOWN

A depositor who makes a note payable at a bank impliedly authorizes the bank to pay it and charge to his account, so that the bank may pay and cancel such a note and debit the account of the depositor.

Where motion for direction of verdict was made by both parties, the court on appeal must accept as true the evidence most favorable to plaintiff.

Where a bank credited checks as money, and mailed them for collection, but they were lost, and it then told the depositor and requested him to get new checks, and he agreed to do all he could to save them from loss, but did not consent to have his account further debited, the bank could not, on bankruptcy of the drawer of the checks, debit an interest account of the depositor, but was itself, chargeable with the loss, the depositor, having indorsed without restriction, so that the bank held as owner and not agent for collection.

Neither custom of the bank nor the rule that dishonor of checks would permit the bank on due notice to charge the depositor as indorser applies where checks, after being lost in the mails, were good for six weeks, during which the bank made no effort to collect, after which the drawer became bankrupt, there being in fact no dishonor.

(113 N. E. Rep.)

ACTION by Eliza Heinrich, as executrix of Jacob Heinrich, deceased, against the First National Bank of Middletown. From a judgment of the Appellate Division (164 App. Div. 960), affirming judgment for plaintiff, defendant appeals. Affirmed.

STATEMENT OF FACT AND OPINION

CARDOZO, J. In April, 1912, the plaintiff's assignor, Charles Hagen, was a customer of the defendant, the First National Bank of Middletown, N. Y. He had two accounts, one a general account, in which the deposits were subject to payment by check, and the other an account in the "Interest Department," in which deposits drew interest, and were subject to rules similar to those that are common in savings banks. On April 21 and 22, 1912, two checks, one for $1,001 and the other for $2,002, in all $3,003, drawn by Gouverneur E. Smith & Co., to the order of Charles Hagen, and indorsed without restriction by the payee, were received by the defendant and credited to the customer's general account. Promissory notes for like amounts had been drawn by Hagen and made payable at defendant's bank. On April 23 the notes were presented for payment. The defendant did not own them. It received them from other banks for collection.

Through the credit of the two checks the account was provided with the requisite funds, and the defendant applied the deposit to the discharge of the notes. It marked the notes paid, canceled them with a perforating stamp, and debited the depositor on its books with the amount of the payment. This it had the right to do. A depositor who makes a note payable at a bank by implication authorizes the bank to pay the note and charge it to his account. Negotiable Instrument Law, section 147; ; Eetna Nat. Bank vs. Fourth Nat. Bank, 46 N. Y. 82, 88; Baldwin's Bank of Penn Yan vs. Smith, 215 N. Y. 76.

But the checks which had supplied the requisite credits had not yet been collected. The defendant mailed them on April 23, 1912, to its correspondent, the Market Street National Bank of Philadelphia, Pa., for presentation to a bank in Riverhead, Long Island, on which they were drawn. The checks, though mailed were not received. The envelope containing them was mislaid through the negligence of employes of the post office. About ten months later, in February, 1913, it was found behind a radiator in the post office in Philadelphia.

The loss of the checks became known

to the defendant on May 3, 1912. It waited till May 8, and then gave notice to its depositor. It requested him to procure duplicate checks from Gouverneur E. Smith & Co., the makers, and inclosed a letter to be forwarded to the makers for that purpose. On May 15 Gouverneur E. Smith & Co. wrote that they had stopped payment of the checks, and that, on learning from their bank that the checks had not come in, they would sign and forward duplicates. They did not keep their promise.

The defendant made no attempt to enforce payment. Its officers told Hagen two or three times that he would have to get duplicate checks, but beyond that they did nothing. They say they also told him, and in effect with his asset, that in default of duplicates, they would charge the checks back to his account, but this he denies. Since a motion for the direction of a verdict was made by both sides we must accept as true the evidence most favorable to the plaintiff. He promised to use his efforts to save the defendant from loss. He did not promise, if the efforts failed, to bear the loss himself. Aebi vs. Bank of Evansville, 124 Wis. 73.

On June 5, 1912, the makers of the checks became bankrupt. Up to that time their bank account had been sufficient to enable the checks, if presented, to be paid. The defendant, on learning of the bankruptcy, charged the checks against the interest account of its depositor. It selected the interest account, rather than the general account, because the latter had been reduced by drafts. Hagen, when notified of the charge, made prompt protest that it was unauthorized. The question now is whether the bank or the depositor is to bear the loss.

We think the loss has been rightly cast upon the bank. The checks were credited as money, and were indorsed by the payee without restriction. The defendant did not hold them as a mere agent for collection. It held them as owner. Cragie vs. Hadley, 99 N. Y. 131; Met. Nat. Bank of N. Y. vs. Loyd, 90 N. Y. 530; Burton vs. United States, 196 U. S. 283; Taft vs. Quinsigamond Nat. Bank, 172 Mass. 363. In transmitting them for collection, it was acting in its own behalf, and not in behalf of its depositor. It adopted the post office as one of the agencies for transmission, and through the negligence of the post office, the checks were lost. The consequences of that negligence are not to be visited on the depositor any more than if the loss had occurred through the negligence of a messenger. Aryault vs. Pacific Bank, 47 N. Y. 570; St. Nicholas Bank vs. State Nat. Bank, 128 N. Y. 26; Moore vs. Riverside Bank, 25 Misc. Rep. 720; Aebi vs. Bank of Evansville, supra. The case last cited discloses a situation identical in all essentials with the case at hand.

The defendant argues that there is evidence of a course of dealing by which the checks, if presented and dishonored, could, after due notice to the indorser of nonpayment, have been charged back to his account. That would have been the bank's right irrespective of any custom. The dishonor of the check after presentation to the makers would have permitted the defendant, upon due notice, to charge its depositor as an indorser. Aebi vs. Bank of Evansville, supra; Burton vs. U. S., supra, 196 U. S. at page 304, 25 Sup. Ct. 243, 49 L. Ed. 482; Taft vs. Quinsigamond Nat. Bank, supra. But neither the custom nor the rule of law is applicable to the situation now before us. The checks were not dishonored. They remained good for six weeks after they were credited to the plaintiff. There was no attempt to collect them as lost paper. Neg. Inst. Law, section 268 (Consol. Laws, c. 38); Code Civ. Pro., section 1917; Shipsey vs. Bowery Nat. Bank, 59 N. Y. 485, 491; Aebi vs. Bank of Evansville, supra, 124 Wis. at page 78. There was neither demand upon the makers for payment nor notice to the indorser of nonpayment. It is not because the checks were worthless that the defendant has suffered loss. The fact is that they were not worthless. If presented with reasonable diligence, they would have been paid. The defendant has suffered loss because checks which it

was collecting in its own behalf, as owner and not as agent, miscarried in the mails, and because after notice of the mishap, it slept upon its rights.

The judgment should be affirmed with costs.

113 N. E. Rep. 531.

Collections

Pennsylvania

Payment of Checks.

Supreme Court of Pennsylvania, April 17, 1916.

SEABOARD NAT. BANK VS. CENTRAL TRUST AND SAVINGS BANK

Defendant bank forwarded a check to plaintiff for collection. Plaintiff bank presented the check to the bank on which it was drawn, and under an agreement between plaintiff and that bank that checks should be immediately paid, subject to correction at any time during business hours of the same day, plaintiff received payment. Before the end of the day the check was returned by the drawee bank as worthless, and it demanded reimbursement. Plaintiff reimbursed the drawee, and demanded reimbursement from defendant. Held, that defendant could not defeat reimbursement on the theory that the check had been paid.

(98 At. Rep.)

ACTION by the Seaboard National Bank against the Central Trust and Savings Company. From the judgment for plaintiff, defendant appeals. Affirmed.

THE facts appear in the following opinion by Audenried, P. J., in the court of common pleas:

The plaintiff is a New York bank. The defendant carries on a banking business in Philadelphia. The latter intrusted to the former for collection a check drawn on the Empire Trust Co. of New York City by one Dockendorff. Without waiting to present the check, the plaintiff, immediately on its receipt, paid the defendant its amount. It is claimed by the plaintiff that the check has not been paid; and this action was brought to recover the sum remitted the defendant in anticipation of its collection. The defense set up is that the plaintiff has received payment of the check.

On the facts before the court no question arises as to the negligence on the part of the plaintiff in carrying out the duty that it undertook to perform. Nor is there ground for argument that, even if the check has not been paid, the plaintiff is estopped from asserting that fact. The question presented is a simple one: Can it be said on the facts agreed upon that, so far as the defendant is concerned, the plaintiff has not received payment of the check above referred to?

Reduced to their baldest statement the facts bearing on this question are as follows: On receipt of the Dockendorff check from the defendant, the plaintiff presented it at the office of the trust company on which it was drawn, and received the sum for which it called. The money was paid by the drawee and received by the plaintiff under an agreement of long standing between them that checks on the former should, if presented by the latter, be paid immediately, "subject to correction" at any time during the business hours of the same day; the plaintiff being bound to reimburse the drawee to the extent of all such checks returned by it within the time mentioned. Before the close of business hours on the date of its presentation the Dockendorff check was returned by the Empire Trust Co. to the plaintiff and the plaintiff forthwith refunded what it had received on it.

It is argued on behalf of the defendant that the plaintiff's agency to act for it with respect to the check ceased as soon as the money was paid by the drawee, that the plaintiff had no authority to bind it by accepting the return of the check, and that all that the plaintiff was authorized to do in the matter after it had received the money was to retain for the defendant's account the proceeds of the collection;

and it is urged that, under the view adopted by the Supreme Court in Monongahela National Bank vs. First National Bank of California, Pa., 226 Pa. 270, the return of the money received from the Empire Trust Co. affords no basis for the plaintiff's demand for reimbursement by the defendant.

This would undoubtedly be a good answer to the claim of the plaintiff, if the facts on which it is advanced were the same as those in the case referred to. There the money received from the bank on which the check was drawn was handed over upon presentation of the check without any special agreement as to its application; and the fact that the check was thereby paid was not questioned. The collecting bank was, of course, bound to remit to its correspondent the money that thus came into its hands, and could not pay it back to the drawee at the expense of the latter. In the case at bar, however, the money was received by the plaintiff from the drawee upon the distinct agreement between them that it was not given in absolute payment of the check. It was understood by both these parties that if after examination of the check and of the account of the drawer, the Empire Trust Co. should within the day notify the plaintiff that it had decided not to accept and pay the check, its money was to be repaid to it. Until the close of business hours on that day the check was not to be regarded as paid. In other words, the money received by the plaintiff was to be applied to the payment of the check only upon condition that notice of its dishonor was not given to it within the time appointed; and pending its application to the payment of the check it was to be held for the use of the Empire Trust Co.

As this condition was not fulfilled, the money did not become applicable to the payment of the check. The defendant consequently never acquired an interest in it, and has no standing to object to its repayment to the Empire Trust Co. in performance of the trust upon which the plaintiff accepted it.

It is immaterial that until after the money was returned the defendant was ignorant of the terms of the agreement under which the drawee had paid it. If that arrangement was one that fell within the scope of the plaintiff's authority as collecting agent, the defendant was bound by it and cannot now be heard to complain that it has been carried out. If, on the other hand, the plaintiff's agency gave it no right to deal as it did with the Empire Trust Co., while the defendant may repudiate the agreement under which the money was received, yet should it elect to do so, it must provide for the return of the money. The plaintiff's receipt of the money, the agreement in regard to its use, and its return to the Empire Trust Co. constituted together but one transaction. This must be ratified or disapproved as a whole. The defendant will not be permitted to claim the benefit of the contract made by its agent while it repudiates the contract, Penn. Natural Gas Co. vs. Cook, 123 Pa. 170. To express the thought in somewhat different form, unless the defendant concedes (as it does not) that the plaintiff properly refunded the money received from the Empire Trust Co., it cannot assert that the money was ever received by the plaintiff.

For the reasons above outlined, the question on which this case turns must be answered negatively. The plaintiff has not received payment of the check intrusted to it by the defendant. It follows, therefore (since it is well settled law that, if a collecting bank pay its principal the amount of the check forwarded to it for collection, and that check is not honored, it may recover from its principal the amount that it has paid to the latter, Rapp et al. vs. National Security Bank, of Philadelphia, 136 Pa. 426; Union Safe Deposit Bank vs. Strauch, 20 Pa. Super. Ct. 196), that judgment must be entered in favor of the plaintiff.

The lower court entered judgment for the plaintiff on the case stated. Defendant appealed.

Per Curiam. The judgment is affirmed on the opinion of the learned president judge of the court below.

98 At. Rep. 607.

Notice of Dishonor

Kentucky

"Holder"—"Bearer"—Presentment—Indorser's Notice of Dishonor

Court of Appeals, Kentucky, June 14, 1916.

DOHERTY VS. FIRST NAT. BANK OF LOUISVILLE

In view of Negotiable Instruments Act, Ky. St., section 3720b, subsec. 51, providing that the holder of a negotiable instrument may sue thereon in his own name, section 3720b, subsec. 190, providing that a "holder" means the payee or indorsee of a negotiable instrument who is in possession of it, or the bearer thereof, and that a "bearer" means the person in possession of a bill or note which is payable to bearer, and section 3720b, subsec. 9, providing that a negotiable instrument is payable to bearer when the only or last indorsement is in blank, a petition alleging that notes indorsed in blank were owned and held by plaintiff at maturity is sufficient without allegation of ownership at time of suit.

Under Negotiable Instruments Act (Ky. St., section 3720b, subsec. 96), providing that notice of dishonor may be given in any terms which sufficiently identify the instrument and indicate its dishonor by nonacceptance or nonpayment, an informal letter stating the amount of two notes, dates of their maturity, names of maker and indorsers, and stating that they were not attended to and demanding payment, was sufficient.

Notwithstanding Negotiable Instruments Act (Ky. St., section 3720b, subsec. 100), providing that notice of dishonor to joint parties who are not partners must be given to each of them unless one has authority to receive such notice for the other, failure to give notice to all point indorsers does not discharge those to whom notice was actually given.

180 S. W. Rep.

ACTION by the First National Bank of Louisville against Charles J. Doherty. From a judgment for plaintiff and an order denying a new trial, defendant appeals. Affirmed.

See, also, 166 Ky. 650, 179 S. W. 602.

STATEMENT OF FACT AND OPINION

CLAY, C. This is a suit by the First National Bank of Louisville against Charles J. Doherty to recover on two promissory notes for $5,000 each, dated July 11, 1908, payable four months from date, and executed by the Paracamph Co. to the order of Charles J. Doherty, C. C. McClarty, and Geo. M. Boone, and indorsed by them to the bank. The first trial resulted in a verdict for the defendant. A new trial was awarded, and on the second trial there was a judgment in favor of plaintiff. The defendant appeals.

The petition is first assailed on the ground that it does not allege ownership of the notes at the time of filing suit. Under the Negotiable Instruments Act the holder of a negotiable instrument may sue thereon in his own name. Subsection 51, section 3720b, Kentucky Statutes. "Holder" means the payee or indorsee of a bill or note who is in possession of it, or the bearer thereof. "Bearer" means the person in possession of a bill or note which is payable to bearer. Subsection 190, section 3720b, Kentucky Statutes. The instrument is payable to bearer when the only or last indorsement is an indorsement in blank. Subsection 9, section 3720b, Kentucky Statutes. The petition alleges that the notes were owned and held by the bank at the date of their maturity. These notes were indorsed in blank. They were in possession of the bank when suit was instituted and were filed as exhibits. Notwithstanding the failure of the bank to allege that it owned the notes when suit was filed, the above facts are sufficient to show that it was the holder of the notes and entitled to sue thereon in its own name.

The next ground of attack is the failure of the petition to allege presentment and demand. It is true that presentment and demand are not alleged in terms. The following facts, however, are alleged: Each of the notes was by its terms made payable at the plaintiff bank, and was owned and held by it on the date of the maturity thereof, and no part of either of the notes was paid at its maturity. In other words, the notes were in the bank on the day when they became due, and were not paid on that day. It being well settled that the custody by a bank of a note payable at

the bank at its maturity is a sufficient presentment. (Huffaker, etc., vs. National Bank of Monticello, 13 Bush, 644; subsections 72 and 73, section 3720b, Kentucky Statutes) it follows that the facts alleged are sufficient to show presentment, even though presentment is not alleged in terms.

Still another ground of attack on the petition is that notice of dishonor and of waiver are not properly pleaded. With respect to these matters, the petition, after setting out the execution of each of the notes, is indorsement to the bank, and its nonpayment at maturity, is as follows:

"That when and as soon as said note was not paid at maturity written notice of its dishonor and nonpayment was given to the defendant, Charles J. Doherty, and to each of the other indorsers; that, in addition thereto, the defendant, Charles J. Doherty, waived any notice of dishonor of said notes being given to him."

Without entering into a discussion of the sufficiency of these allegations, we may say that the question whether or not written notice of the dishonor of the notes was given to the defendant in proper time, and the further question whether or not defendant, after the maturity and dishonor of the notes, stated to the officers of the bank that he intended to pay the notes, were submitted to the jury and decided in favor of plaintiff, and we therefore conclude that any defect in the allegations of the petition respecting these matters was cured by the verdict. Hill vs. Ragland, 114 Ky. 209; Henry Clay Fire Ins. Co. vs. Barkley, 160 Ky. 154; Title Guaranty & S. Co. vs. Commonwealth, 141 Ky. 570; Winstead vs. Hicks, 135 Ky. 158. It follows that the motion for a judgment notwithstanding the verdict was properly overruled.

Another contention is that the evidence is altogether insufficient to sustain the verdict. The evidence for plaintiff is as follows: James B. Brown, then president of plaintiff bank, and Catherine Mooney, his stenographer, testify that on the morning of November 12, 1908, the day after the maturity of the notes, a letter notifying the defendant of the dishonor of the notes was dictated by Mr. Brown to Miss Mooney. The letter was written out by Miss Mooney on a typewriter and signed by Mr. Brown. He gave her specific directions to see personally to the mailing of the letter. Miss Mooney addressed the letter to Mr. Doherty at his usual place of business in the Columbia Building in the city of Louisville. She thinks she put a two-cent stamp on it, and then deposited it with her own hands in the mail box at the corner of Fifth and Main streets before 10 o'clock on the same morning.

A carbon copy of the letter was produced and read. The superintendent of mails for the Louisville post office testified that a letter deposited in a box at Fifth and Main streets before 10 o'clock in the morning, addressed to a party in the Columbia Building, which is located at the corner of Fourth and Main streets, would, acording to the usual course of mails at that time, have been delivered at the Columbia Building between 2 and 2:25 o'clock in the afternoon. It was further shown that the letter in question was never returned to the bank, which would have been done if it had not been stamped or there had been any error in direction, etc. In addition to the above facts, Mr. Brown, Miss Mooney, and H. L. Rose, discount clerk, all testify that on the morning of November 13, 1908, Mr. Doherty came into the bank with the letter referred to in his hand, and, after stating that he had received the letter, said that he would pay the notes, but, as there were two other indorsers on the notes, he wanted an opportunity to force them to pay their part. As opposed to this evidence, the defendant emphatically denies that he received the letter in question, or that he went to the bank and promised to pay the notes.

It is suggested that the long lapse of time after the maturity of the notes makes it impossible to rely on the recollection of the witnesses, especially in view of the fact that upon one of the material points—i. e., the stamping of the letter—Miss Mooney did not state emphatically that she actually stamped

the letter, but stated merely that she thought she did. This statement of hers, considered in connection with the positive statement of other witnesses to the effect that the defendant appeared in the bank on the morning of November 13, 1908, with the letter in his hand, and the further fect that the letter was never returned to the bank, is, we think, sufficient to show that the letter was duly stamped. Instead of the verdict being flagrantly against the evidence, we conclude that the weight of the evidence is in favor of the finding of the jury.

In this connection it is insisted that the letter itself is not a sufficient notice of dishonor. The letter is addressed to the defendant and is as follows:

"Two notes of the Paracamph Company for $5,103.35, each bearing the indorsement of George M. Boone, C. C. McClarty, and yourself, matured in this bank on the 11th inst., and are not attended to. Please call at once and pay these notes, and oblige,

"Very respectfully, PRESIDENT."

It is argued that the notes are not for $5,103.35 each, but for $5,000 each, and are therefore not correctly described, and that the letter contained no statement that the notes had been presented for payment and payment refused. The statute provides that the notice may be given in writing, and may be given in any terms which sufficiently identify the instrument and indicate that it has been dishonored by nonacceptance or nonpayment. Kentucky Statutes, subsec. 96, section 3720b. Including the interest, the amount due on each of the notes was $5,103.35.

It will thus be seen that the notice gives the amount of the notes, the date of their maturity, and the names of the maker and the several indorsers, of whom the person receiving the notice was one. There can be no question that the language of the notice was sufficient to identify the notes, concerning which it was given. Furthermore, the notice shows that the notes in question were not attended to. This statement is followed up by he further direction that defendant "please call at once and pay these notes." Clearly these statements were sufficient to indicate to the defendant that the notes in question had been dishonored by nonpayment.

Another error assigned is the refusal of the trial court to direct a verdict in favor of the defendant at the close of the evidence on the second trial. In support of this contention it is pointed out that the petition alleged that notice of dishonor had been given, not only to the defendant, but to the other indorsers, and that the plaintiff failed to prove that notice was given to the other indorsers. In this connection it is argued that the defendant and the other indorsers were joint indorsers, and that a failure to give notive to the other indorsers released the defendant. This precise question was before this court in the case of Williams vs. Paintsville Nat. Bank, 143 Ky. 781, 137 S. W. 535, Ann. Cas. 1912D, 350, where the court, after consideration of the Negotiable Instruments Act, announced the rule that a failure to give notice of dishonor to all of the joint indorsers did not have the effect of discharging those to whom notice was actually given. We are now asked to overrule this opinion on the ground that the court, in reaching this conclusion, failed to take into consideration the provision of subsection 100, section 3720b, Kentucky Statutes, which provides that:

"Notice to joint parties who are not partners must be given to each of them, unless one of them has authority to receive such notice for the other."

As a matter of fact, however, the court did not overlook this provision of the Negotiable Instruments Act, but correctly concluded that its only effect is to require notice of dishonor to be given to each of the joint indorsers whom it is sought to hold liable, and to discharge only those to whom notice is not given.

Nor is the question affected by the fact that plaintiff actually alleged that notice was given to the other indorsers. This allegation was unnecessary and immaterial. That being true, plaintiff was not required to prove it, nor did it authorize the introduction of evidence by

the defendant for the purpose of showing it was not true.

We shall next consider certain alleged errors in the rejection of evidence. On April 10, 1909, the bank's president wrote to the defendant a letter, calling his attention to the fact that the two notes in question had been past due since November 11, 1908, and further stating that they had written to him at that time asking that he call and pay the same, but that, at his request, the notes had been held in their past-due papers since that date. In response to this letter the defendant wrote to the bank's president on April 12, 1909, that the letter just received was the first and only notice he had ever been given in regard to the maturity of the two notes, and that he had never made any request of the bank to hold the notes as past-due paper. When Mr. Brown was on the stand the letters were excluded. Afterwards the defendant, while on the stand, was permitted to read the letters. Whether or not the letters were admissible in evidence it is unnecessary to determine, for, even if improperly excluded in the first instance, the error, if any, was cured when they were subsequently read in the hearing of the jury.

Complaint is made of the fact that Mr. Brown, the former president of the bank, was not permitted to answer the question whether or not the bank's former attorney, now deceased, had advised the bank that it was not necessary to give notice to indorsers upon notes that had been dishonored. When the court declined to permit the question to be answered, counsel for defendant avowed that the witness, if permitted to answer, would state that the bank's former attorney had so advised the bank, and that immediately thereafter the bank ceased to give notice to indorsers of dishonored paper, and that this was true of a large number of notes, aggregating about $100,000. In this case the bank did not attempt to show notice by mere proof of its custom to give notices of dishonor. It introduced direct evidence to the effect that the particular notice was actually given. Inasmuch as the excluded evidence was too remote to be of any probative value, and, if admitted, would have injected into the case many issues that were altogether collateral to the main issue, we conclude that it was properly rejected.

Complaint is also made of the fact that Mr. McClarty, a former officer of the bank, was not permitted to testify that it was usual and customary for the bank to send out notices on the days the dishonored notes matured. This evidence, even if admissible, was properly excluded, because Mr. McClarty was not connected with the bank when the notices in question were sent out, and was not a competent witness to show the bank's custom at that time. We may add, however, that Mr. Brown, who was the bank's president at that time, frankly admitted that such was the custom of the bank. Having received the benefit of this evidence from a witness who actually knew of the custom, we are unable to see how defendant was prejudiced by the refusal of the court to hear evidence from a witness who was not qualified to testify on the question.

The court did not err in excluding evidence respecting the bank's failure to give notice of dishonor of other notes on which the defendant was the indorser and which he had paid to the bank. This evidence was not germane to the real issue. What the bank failed to do in regard to other notes was not admissible for the purpose of showing its failure with respect to the notes sued on.

Instruction No. 2 is as follows:

"If you believe from the evidence that notice of dishonor of said notes was not given as described in the preceding instruction, yet if you believe from the evidence that subsequent to the maturity and dishonor of said notes the defendant stated to the plaintiff bank, or any of its officers, that he intended to pay said notes, of his part thereof, this was a waiver of any failure there might have been, if any, to give him such notice of nonpayment, and he is liable on said notes, and the jury should find for the plaintiff; but, unless you so believe from the evidence, the law is for the defend-

ant, and you will so find, provided you also find for the defendant under the first instruction."

This instruction is attacked on the ground that it did not submit to the jury the question whether or not defendant, with knowledge of the fact that he had been discharged by reason of the bank's failure to give him notice of dishonor, promised to pay the notes, and on the further ground that an intention to pay does not amount to a promise to pay. Under the Negotiable Instruments Act.

"Notice of dishonor may be waived, either before the time of giving notice has arrived, or after the omission to give due notice, and the waiver may be express or implied." Subsection 109, section 3720b, Kentucky Statutes.

Whatever may have been the rule prior to the enactment of the Negotiable Instruments Act, we conclude that under the above section of the act, a promise to pay, made by an indorser after the time within which notice of dishonor should have been given, is all that is necessary to constitute a waiver of notice. Mechanics and Farmers Savings Bank vs. Katterjohn, 137 Ky. 427. In making such a promise it is not necessary to use the words "I promise." Words showing a clear intention to pay will be construed as a promise. We conclude, therefore, that the instruction complained of properly submitted the question of waiver.

Judgment affirmed. 180 S. W. Rep. 937.

Guaranty

South Dakota

Distinction Between Guaranty and Indemnity

Supreme Court of South Dakota, June 27, 1916

ECKHART VS. HEIER, ET AL.

A guaranty of a note is a covenant to pay it, breached by failure of the note's maker to do so; while an indemnitor's covenant is merely to make good any loss from nonpayment.

A contract to "stand back of and become responsible for" a note, made to induce the payee to take it, is one of guaranty thereof. (158 N. W. Rep.)

ACTION by B. A. Eckhart against Johannes Heier and others. From an adverse order, defendant J. B. Gundert appeals. Affirmed.

STATEMENT OF FACT AND OPINION

WHITING, J. This cause is before us on an appeal from an order overruling a demurrer to the complaint. Plaintiff seeks the foreclosure of a real estate mortgage, and the party demurring was made a party defendant because, as alleged in said complaint:

"In order to induce plaintiff to accept the said principal note, interest coupons, and the said mortgage, and advance moneys thereon, the said bank and the said J. B. Gundert [this appellant] for a valuable consideration, promised and agreed [in writing] to and with plaintiff that they would stand back of, and become responsible for, the said loan and the principal note and interest coupons."

It is the contention of appellant that such allegation shows him to be a mere indemnitor; that his liability does not arise until plaintiff has been unable to collect from the makers of the note; and that, for those reasons, the complaint does not show a cause of action to have accrued. Respondent contends that, where one contracts to "stand back of and become responsible for" a note, such contract is one collateral to the contract evidenced by a note, and is one to answer for the debt or default of another, thus being, under section 1969, C. C., a contract of guaranty.

The authorities recognize the essential difference between a guaranty of a

note, which is a covenant to pay same, and a covenant of indemnity against loss through nonpayment. The distinction arises out of the terms of the contract. In the case of a guaranty the covenant is collateral to the other contract and the failure of the third party is a breach of the terms of the contract of guaranty; in the other case the covenant is not collateral to the other contract, and the mere failure of the third party to pay is not a breach of the indemnitor's covenant—he did not covenant that he would pay but covenanted merely to make good any loss resulting from nonpayment. Wicker vs. Hoppock, 73 U. S. (6 Wall.); Burton vs. Dewey, 4 Kan. App. 589. One does not merely covenant to save a payee of a note harmless when he covenants to "stand back of and become responsible for" the note. His covenant is collateral to the contract evidenced by such note. It is the note—the contract evidenced thereby—that he covenants to stand back of and be responsible for. He covenants that the note will be paid and such covenant is broken by its nonpayment.

A contract as guaranty is a collateral undertaking which presupposes another contract, existing or anticipated, containing covenants of some third party running in favor of the guarantee. It is the performance of such covenants that the promisor guarantees. It is thus a contract to answer for the debt, default, or miscarriage of another. Upon the other hand, a contract of indemnity is one which, if it refers to and is founded upon another contract, either existing or anticipated, covenants to protect the promisee from some accrued or anticipated liability, arising upon such other contract; it is not a contract to answer for the contractual debt, default, or miscarriage of another than the promisee, but a contract to indemnify the promisee from loss owing to his contractual liability. 20 Cyc. 1402; 22 Cyc. 80; 16 Am. & Eng. Ency. Law, 168. Of course there are many contracts of indemnity that have no reference to the indemnitee's covenants contained in some other contract, but are entered into to indemnify the promisee against losses from something other than his contractual liabilities. Thus there can be a contract indemnifying the promisee against loss growing out of an act or failure to act. Such is a contract to indemnify one for loss that may grow out of a third party's failure to perform a contract, such as such party's failure to pay his note given to the indemnitee. Such a contract is one of indemnity because by it the promisor "engages to save another harmless from the legal consequences of the conduct * * * of some other party." Section 1969, C. C. Under the facts alleged in the complaint, appellant bound himself as a guarantor.

The order appealed from is affirmed. 158 N. W. Rep. 403.

Insolvency

CALIFORNIA

Trusteeship—Claims of Trustees—Frivolous Appeal

Supreme Court of California, July 25, 1916.

CRANE VS. STATE SAVINGS AND COMMERCIAL BANK

Where an interloper became trustee of an insolvent bank whose affairs were taken over by the state bank commissioner and by various manipulations secured control of the concern and prosecuted various actions to remove it from the control of the bank commissioner, he could not have compensation for his alleged services in such actions; his purpose evidently being to loot the corporation and defraud its creditors and stockholders.

Where a long course of vexatious litigation in various cases reveals that the prosecutor thereof is attempting to take advantage of unsuspecting persons by undue prolongation of cases, damages for frivolous appeal will be awarded the opposing party.

(159 Pac. Rep.)

ACTION by Arthur Crane against the State Savings and Commercial Bank. From an order refusing to fix compensation of plaintiff as trustee for defendant, plaintiff appeals. Affirmed, and judgment for damages for frivolous appeal awarded.

STATEMENT OF FACT AND OPINION

HENSHAW, J. This is an appeal from the order of the court refusing to fix the compensation of appellant, appointed "director and trustee of the State Savings and Commercial Bank, the defendant corporation, and with authority to pay the state license tax now due."

To an understanding of the controversy the following facts are pertinent and indeed necessary: The State Savings and Commercial Bank, a California banking corporation, had become so financially involved that, under the authority of the California Banking Act as it then existed, upon July 17, 1909, Alden Anderson, superintendent of banks, took possession of the property of the bank. That banking law gave the banking corporation or other person interested ten days' time within which to contest the possession of the superintendent of banks, and this contest was never instituted. But upon the 5th day of November, 1909, this appellant instituted an action in his own name against this bank, whose assets and affairs then were and ever since have remained in the possession and under the control of the superintendent of banks and his successor, the bank commissioner, and against certain other defendants called stockholders. In this complaint he asserts that on January 18, 1909, he became a stockholder of the corporation by the purchase of two shares of its stock. He alleges that he is the only stockholder, and that none of the defendants are stockholders; thus owning all of the stock of the corporation he is in equity the sole owner of the corporation.

He alleges that the directors and trustees of the corporation were so actively engaged in dissipating and wasting the assets of the corporation that if the superintendent of banks "had not taken possession of said estate from the said usurping directors and trustees of the said defendant corporation it would all have been wasted and dissipated." He next asserts that the total value of the remaining assets of the defendant corporation is the sum of $68,510.64, and that the total liabilities of the corporation amount to the sum of $134,334.59, and that there is thus left sufficient "to pay all creditors in the neighborhood of fifty per cent. of their respective claims."

He alleges that there are no directors or trustees of the corporation; that the corporation has failed to pay its license tax and is insolvent and has ceased to do business as a corporation, and prayed judgment "that the plaintiff is the sole beneficial stockholder of said corporation; that plaintiff be appointed the sole trustee of the defendant corporation," and for general relief. Upon this complaint he secured ex parte an order of the superior court appointing him, as above indicated, "director and trustee of the State Savings and Commercial Bank, the defendant corporation, with authority to pay the state license tax now due, pending the trial or other conclusion of the above-entitled cause, or further order of this court."

Thereupon, as appears from the report of this trustee, he, by virtue and authority of this order, accepted the "resignations and abandonments" of all other directors and trustees saving himself. He then transferred to Frank L. Tainter one share of stock, and to John H. Dixon another share of stock, and then appointed Frank L. Tainter and John H. Dixon to be with the directors of the bank, further appointing Frank L. Tainter secretary of the corporation. Thereafter, at a "special meeting of the board of directors," appellant presented two transfers, one from M. D. Rainbow to himself for ten shares of the stock of the corporation, and another from Eliza J. Lyman to himself for five shares, and he caused these old certificates to be canceled and new certificates to be issued to him as the owner of fifteen shares. It is of course not explained how there could be fifteen or sixteen valid outstanding shares in contemplation of the complaint in which plaintiff asserted under oath that he was the sole stockholder and owned but two shares. However, he then proceeded to levy an assess-

ment of $10 per share, immediately paying this assessment upon sixteen shares, while "director Frank L. Tainter paid to himself as secretary the sum of $10, and director John H. Dixon paid the sum of $10 to the secretary as his assessment. Total received $180."

It was then resolved to "take $110 out of the funds in the secretary's hands to pay the state license tax." Later, upon the strength of this assessment, a delinquent list was published, the stock offered for sale, and "no bids being obtainable, each of the said certificates and amounts was bid in for the corporation by Arthur Crane, trustee and president." The affairs of the corporation being in this condition, the defendant bank of which appellant was thus trustee and president, and Frank L. Tainter trustee and secretary, filed its answer to Crane's action, which answer was verified by Tainter. It denied certain of the allegations of Crane's complaint. Thus it denied that if Anderson "had not taken possession of the assets on the 17th day of July all or any of them would have been wasted." It denied that there was only left of the estate sufficient to pay the creditors 50 cents on the dollar, and averred that the assets were $130,000 and the liabilities only $104,000, denied that the corporation is insolvent and denied that it had failed to pay its license tax or had ceased to do business as a corporation. The answer then proceeded to set up the assessment of which we have spoken, and once more averred that:

"The only outstanding shares of stock in the defendant corporation are eighteen, on which the said assessment was paid, and which stands in the names, to-wit., of Arthur Crane, seventeen shares; of Frank L. Tainter, one share."

Thereafter, on June 3, 1911, Crane filed a stipulation in the action, declaring that "every allegation contained in the answer of the defendant, the State Savings and Commercial Bank, is true," and stipulating "that judgment may be rendered in accordance therewith." On June 5th, two days thereafter, the trial court made so-called findings of fact that all the allegations contained in the answer were true; that the corporation has "duly and regularly levied an assessment of $10 per share on its capital stock, and that the only valid outstanding shares of stock are eighteen," of which Crane owns seventeen and Tainter one. The judgment declares that each party shall pay his and its own costs; and:

"(2) Pending further order of the court, said plaintiff, Arthur Crane, shall continue to act as trustee under the direction of the court, and under the supervision of the said stockholders. (3) The remuneration of the said trustee may hereafter be fixed by the court on notice and hearing duly given."

On January 24, 1914, this appellant moved the court to fix his fees "for his services as such trustee, including services as attorney, to and including December 1, 1913." The State Savings and Commercial Bank, by Tainter, its secretary, promptly stipulated that Crane's motion should be granted and his remuneration fixed at $2,000, which was the amount Crane himself sought. In the matter of services he made affidavit that he had instituted three actions, one in the circuit court of the United States, and two in the superior court of the state, for the purpose of testing the constitutionality of the seizure of the assets of the State Savings and Commercial Bank. He further stated that:

"Notwithstanding he used due diligence and extreme care in all said legal work, his action in the circuit court was dismissed and the two actions in the superior court of the state of California were decided adversely to him."

He instituted an appeal to the Supreme Court of the State of California and briefed and argued the cause there, and again losing his case secured a writ of error to the Supreme Court of the United States. At the time of the hearing of this motion the Supreme Court of the United States had not acted upon the writ of error, though it

has since done so, and again the decision is adverse to this appellant. State Sav. Bank, etc., vs. Anderson, 165 Cal. 437; State Sav. Bank, etc., vs. Anderson, 238 U. S. 611. Upon the hearing of the motion the court denied it, "without prejudice to its being renewed if any when the appeal to the Supreme Court of the United States, referred to in the affidavit on file, is won by appellant therein." This last is the order from which the present appeal is taken.

What then is the case presented? It is an audacious, indeed a brazen, effort by an interloper into the affairs of an insolvent corporation to loot that corporation of some of the moneys due to its creditors. And what is the position of this appellant? Accepting at their face value every statement which he makes, and waiving the obvious inconsistency and falsity of some of them, as where in the one place he asserts that there are but two valid outstanding shares of the stock of the corporation and that he owns them both, and in the other that there are eighteen shares, of which he owns seventeen, or that the corporation is wholly insolvent and can pay but 50 cents on the dollar to its creditors, while elsewhere, and manifestly for the purpose of despoiling it, he alleges that it has $25,000 of assets above all its liabilities, waiving, we repeat, these and like considerations, passing by the fact, which must certainly be true, that the orders and judgment which the court made were unwittingly and improvidently made, being presented ex parte, and treating this appellant, as he asserts himself to be, the owner of this corporation, what, then, looking through form to substance, is the case presented? The corporation is unquestionably in insolvency and in process of liquidation. Without regard to the inutility of the services which he rendered to this corporation in the useless litigation which he prosecuted, the fact remains that under his own statement it was litigation prosecuted for his own benefit, and in its last analysis it is but the case of an insolvent whose assets are in the hands of a commissioner in bankruptcy prosecuting, outside of the bankruptcy court, valueless litigation seeking to take those assets away from the control of the bankruptcy court and asking remuneration for his abortive efforts from the assets in the control of the bankruptcy court. There was no occasion, therefore, for the trial court to have made a conditional order touching the receiver's compensation. It would have been a perfectly appropriate order, under the circumstances, for the court to have declared that whatever compensation this trustee believed himself entitled to he could pay to himself out of his own personal assets, but could take no dollar of it from the assets of the insolvent bank.

In conclusion, this court has noted that this appellant has prosecuted numerous appeals to it, either in his own name, or in the name of one Alice Aalwyn, or in the name of the Aalwyn's Law Institute. For the most part these appeals have been of a most frivolous and foundationless character. A certain indulgence will be shown by every court to honest ignorance. But the time has passed when this court can consider that these appeals are prosecuted through an ignorance that is honest. We cannot control the pernicious activities of this appellant in the trial courts. We can, however, measurably control them in the matter of appeals to this court which he takes for harrassment, vexation and delay. The time has come when it is the manifest duty of this court to do this thing.

The order appealed from is therefore affirmed, and there is imposed upon the plaintiff, Arthur Crane, a judgment of $250 damages for a frivolous appeal, which judgment is forthwith collectible by execution at the instance of A. A. De Ligne, for and on behalf of the respondent herein, and, when collected, will be added to the assets of the insolvent bank in the hands of the superintendent of banks for the benefit of the creditors thereof.

159 Pac. Rep. 585.

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The Bankers Magazine, New York.
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The Citizens Bank & Trust Co., Tampa, Fla.
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Commercial Bank, Midway, Kentucky.
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H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
C. M. Davenport, pub. mgr., Citizens Trust & Savings Bank, Los Angeles, Cal.
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T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
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E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
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W. W. Norton, Treas., Robbins Burrall Trust Co., Lakeville, Conn.
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A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
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John W. Pratt, Real Estate Officer, The Kennett Trust Co., Kennett Square, Pa.
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W. W. Russell, cashier, First National Bank, White River Junction, Vt.
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Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
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T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
A. C. Smith, Vice President, City National Bank, Clinton, Iowa.
J. G. Spangler, cashier, The Mesa City Bank, Mesa, Ariz.
F. E. Stewart, secretary and treasurer, Commercial Savings Bank & Trust Co., Toledo, Ohio.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
J. C. Stover, secretary-treasurer, Indiana Savings & Loan Assn., South Bend, Ind.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
J. E. Williams, assistant cashier, Third National Bank, Scranton, Pa.
C. C. Willson, c/o Continental & Commercial Trust & Savings Bank, Chicago, Ill.
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

NEW NAMES

L. S. Critchell, publicity manager, Guaranty Trust Co., New York.
Griffin McCarthy, manager Publicity Department, St. Louis Union Trust Co., St. Louis, Mo.

Federal Railway Valuation

THE general secretary of the President's Conference Committee on Federal Valuation of the Railroads in the United States sends to the BANKERS MAGAZINE the following information:

On October 23, 1916, the Interstate Commerce Commission posted upon its bulletin board a notice of its tentative valuations of the property of the Texas Midland and Atlanta, Birmingham & Atlantic Railroad companies. As the report did not summarize the findings, various incorrect statements have appeared in the public press with reference thereto. I have, therefore, prepared the following statement showing correctly what appears in the Commission's report with reference to the Atlanta, Birmingham & Atlantic Railroad Company:

Cost of reproduction of property owned and used (not iscluding land)	$24,155,000
Lands owned and used	2,291,413
Lands owned and not used	1,165,000
Materials and supplies	433,000
Mulga Branch, leased to another operating company	788,000
Total	$28,832,413
Add to this cash on hand, but not reported by the Government	200,000
Grand total	$29,032,413

The Government's total of $29,000,000 may be contrasted with the $37,000,000 in cash which was obtained as the proceeds of the sale of securities issued and expended for the construction of new lines and acquisition and rehabilitation of other lines, now part of its main line and branches. The officers of the Atlanta, Birmingham & Atlantic Railroad Company contend that the property could not be reproduced, at this time, for less than this amount.

The Division of Valuation, as a matter of administration, has prepared its estimates on the lowest basis, leaving, as required, to the Interstate Commerce Commission the determination of all matters in dispute. The Commission has announced that it has not passed upon the many questions involved in the determination of correct principles and methods, but that it will do so as illustrated by the inventories that are first presented to it for consideration with the carriers' objections, and that its decisions in these cases will serve as a guidance for its future work. It is, therefore, to be expected that the Government's findings of twenty-nine million dollars for the Atlanta, Birmingham & Atlantic Railroad will be materially increased upon its ultimate determination of correct principles and methods.

International Banking and Finance

American Loans to the Entente Allies

(Statement of Henry P. Davison, of the Firm of J. P. Morgan & Co., New York.)

MY trip to Europe was made for the purpose of discussing munitions and finance with the authorities in London and Paris. I also hoped that I might form something of an opinion of the military situation from personal observation, and this I was given ample opportunity to do. After spending three days in Paris, I was informed that arrangements had been made for me to visit the front, so I started at once, going first to Verdun and then along the line to the French and British sections of the Somme. Being under the direction of the military authorities I had the privilege not only of thoroughly viewing the operations and studying the organization of both armies, but also of meeting the generals, their staffs and the other officers and men down through the line. It is futile to attempt to describe the impressions gained from such an experience. No one can have the slightest conception of the magnitude of the organization and undertaking without personally being on the ground, and one cannot but be profoundly impressed with the personnel of both armies and therefor better understand and appreciate the reasons for the marked change seen and felt throughout both England and France. When I visited these countries about a year ago, there was no question in the minds of the people as to their ultimate success; now their attitude is not alone one of confidence, but also one of deep satisfaction in having at last found themselves as to munitions, organization and men all showing the finest spirit imaginable throughout the entire line. The best proofs of this are their achievements since the first of July.

It is interesting to note that however perfectly equipped they may be, and however successful their offensive has been, there is every evidence that the Allies, coöperating and harmonized as one nation, apparently have no idea of abating in the slightest degree in their purpose of providing for all possible future needs.

When in France I also availed of the opportunity afforded to acquaint myself with the financial and industrial situation and visit some of the munition plants, the development of which in so brief a period seems little short of marvelous. While I have for many years appreciated the financial strength of France, perhaps nothing on my trip impressed me more than the evidences, under these circumstances, of that country's great capacity and wealth. Even considering her wealth, her army, the wonderful adaptability of her people and her national spirit, one must marvel at what she has accomplished since August, 1914, and bow to her almost in reverence. Great Britain, with her "contemptible little army" of about 250,000 men, as it was styled two and a quarter years ago, but with a force now numbering between four and five million men equipped and trained, also has spared no effort developing her manufacturing resources. Certainly history records no parallel to the achievements of Great Britain and France in this regard.

Events have moved so rapidly in the last two years that we are apt to forget that Great Britain and France have for a long time been the two principal investing countries of the world. An analysis of their wealth shows the mor

amazing results. Take Great Britain, for instance. It is estimated that just prior to the war the investment of her people in securities representing property outside of England was $20,000,000,000—twenty thousand million dollars. This foreign investment is of course natural by reason of the limited area of England, thus compelling her people to seek outside investments. I doubt if prior to the war the aggregate of the investments held in the United States in securities representing property outside of the country would exceed $250,000,000—two hundred and fifty million dollars.

In July, 1914, the United States was in the midst of an industrial depression which was beginning to be seriously felt throughout the country. But suddenly, almost over night, the monstrous tragedy in Europe developed and as a result we are today perforce experiencing unprecedented prosperity throughout the length and breadth of the land. Immediately after the outbreak of the war Great Britain and France, as well as some of the other Allies, finding themselves wholly unprepared in the way of munitions for such an emergency, rushed to the United States for equipment of every kind, seeking early deliveries and paying high prices. The volume of material purchased by them was far beyond their expectations or our own. These purchases were made because at that time they had to have the goods. Now the situation is materially different. During the more than two years which have passed Great Britain and France have not only carried on the war on the Western Front, but as stated have at the same time developed their own manufacturing resources in a way which surpasses belief, so that today they find themselves well equipped and in a position to provide not only for themselves, but in a large degree to assist their allies. In stating this I do not mean to imply that there are not many things they will require from us, as they did before the war and will after. I do mean that there are very many supplies which they would rather purchase from us than produce at home, reserving the resources required for such production for other purposes to their better advantage. The point is that today their position is one of independence compared with that of two years ago.

I am perfectly clear that if we regard Great Britain and France as desirable customers and wish to continue to sell them our products, we must treat them as a producer usually treats a desirable customer, in which event I am confident we will continue to supply them largely, not only during the war but for the reconstruction period which will follow.

I have been wondering how we in this country would feel if the tables were reversed. Suppose, for instance, we suddenly found ourselves plunged into war, and finding ourselves wholly unprepared sought at once $500,000,000 worth of materials and munitions. Say we placed our orders with Great Britain and France, and were then told by them that they would require in payment $100,000,000 in gold, that they would accept $100,000,000 in United States Government bonds, and that the remainder must be paid in United States Government bonds secured by bonds of certain South American governments. I believe that this is a fair parallel to our present attitude, and I also believe that if our creditors took that position we would meet their requirements as to payment and at once set about to place ourselves in a position of independence as far as possible to do so.

It naturally would be inconceivable to us that the people of Great Britain or France could question the obligation of the United States Government in peace or in war. In this connection it is my unqualified opinion that the unsecured government bond of Great Britain or of France, free from home income tax and payable in dollars in the United States, is just as sure to be paid as the unsecured bond of the United States Government, no matter how the war terminates. In making this statement I am not unmindful of the cost of this war, and that that cost

must be met and can only be met through taxation. It is on this very question of after-war taxation that we must note the great difference between external and internal obligations of the warring countries. When I asked one of the highest authorities in Great Britain how he would express the difference betwen an external and an internal obligation he replied that "an internal obligation of the government is a debt owed by the government to its own people; an external obligation of the government is a debt of all of the people through the government to holders without the country." In other words, an external bond of any of the governments is in effect an obligation of all the people constituting the government, from which no deductions are to be made and for which the assets of all the people are liable.

If we are to make assured our present prosperity and increase it, as we properly can, it seems to me important that our people should realize these facts and meet this opportunity, the like of which let us fervently hope will never again be presented. If this prosperity is to be shared by the country at large our investors, our bankers and the public generally must take a broad, intelligent view of the opportunities before us and assure the peoples of these foreign governments that we desire their trade and have confidence as to their financial soundness. It is not a question of wealth or value, but purely one of exchange, the solution of which lies with us now and will continue to for a long future if we show ourselves competent to handle it. It is simply a matter of holding and developing our increasing foreign trade and of acquiring in this country a security as sure to be paid as any known in the world.

The Proposed British Trade Bank

THE proposal to establish a bank for the especial purpose of furthering British trade interests was commented on by a London correspondent in the November number of THE BANKERS MAGAZINE. Some further details in regard to the plan appear below. They are taken from the report made to the Board of Trade by the committee on financial facilities for trade. It is stated that the main features of the Trade Bank should be:

1. It should have a capital of £10,000,000. The first issue should be from £2,500,000 to £5,000,000 upon which in the first instance only a small amount should be paid up, but which should all be called up within a reasonable time. A further issue should be made afterwards, if possible, at a premium.

2. It should not accept deposits at call or short notice.

3. It should only open current accounts for parties who are proposing to make use of the overseas facilities which it would afford.

4. It should have a foreign exchange department where special facilities might be afforded for dealing with bills in foreign currency.

5. It should open a credit department for the issue of credits to parties at home and abroad.

6. It should enter into banking agency arrangements with existing colonial or British-foreign banks, and where such arrangements were made it should undertake not to set up for a specified period its own branches or agencies. It should have power to set up branches or agencies where no British-foreign bank of importance exists.

7. It should inaugurate an information bureau.

8. It should endeavor not to interfere in any business for which existing banks and banking houses now provide facilities, and it should try to promote working transactions on joint account with other banks, and should invite other banks to submit to it new transactions which, owing to length of time, magnitude, or other reasons, they are not prepared to undertake alone.

9. Where desirable, it should co-operate with the merchant and manufacturer and possibly accept risks upon joint account.

10. It should become a center for syndicate operations, availing itself of the special knowledge which it will possess through its information bureau.

11. It should receive Government assistance.

After expressing the view of the committee that there exists to a considerable extent at the present time the machinery and facilities for the finance of home trade and large oversea contracts, and for carrying through much of the business which has been done by foreign banks, the report states that the present arrangements are faulty in not co-ordinating many of the facilities mentioned. It says:

"We recognize also that the British manufacturer may be frequently in want of finance of a kind which a British joint stock bank with liabilities could not prudently provide, whereas the German banks in particular seem to have been able to afford special assistance at the inception of undertakings of the most varied description, and to have laid themselves out for stimulating their promotion and for carrying them through to a successful completion. We conclude, therefore, that there is ample room for an institution which, while not interfering unduly with the ordinary business done by the British joint stock banks, by colonial banks, and by British-foreign banks and banking houses, would be able to assist British interests in a manner that is not possible under existing conditions.

"Such an institution could also take a leading part in the inception of transactions and assist in connection with the machinery of overseas business.

"The institution must be equipped with an up-to-date information department and this will of necessity play a

large part in its usefulness and financial success. This might properly be called a Bureau d'Etudes, independent of the Commercial Intelligence Branch of the Board of Trade, but in close touch therewith and under agreement entitled to all possible facilities. That such a bureau is essential has been made abundantly clear by the evidence given by witnesses we have heard and also by the evidence given before other committees. It would not necessarily deal only with schemes in which the institution proposed to take financial interests, but might be made a center for investigation of projects on behalf of others, and a considerable revenue might be obtained thereby.

"If financial assistance is given by the Government to undertakings in connection with what are known as 'key' industries, the business should, if possible, be done through the medium of the institution.

"In the financial operations of the institution the desirability of assisting British trade and of placing with British manufacturers orders in connection with new undertakings should be always borne in mind.

"We are of opinion that there are strong reasons why the bank should be formed without delay, so that preliminaries may be completed before the war is over. We believe that a bank constituted upon the above basis, with efficient management, should not only be a great boon to British trade, but should prove a commercial success."

The members of the committe were: Lord Faringdon, chairman; B. P. Blackett, C.B.; Sir W. H.. Clark, K.C.S.I., C.M.G.; F. Dudley Docker, C.B.; Gaspard Farrer, W. H. N. Goschen, the Right Hon. F. Huth Jackson, Walter Leaf, the Hon. A. H. Mills, J. H. Simpson, R. V. Vassar-Smith and the Hon. R. E. Beckett. Mr. Gaspard Farrer did not sign the report.

IN its city article the London "Times" makes this comment on the report:

"The substantial need of a new institution, the nature of which is indicated in the name of 'British Trade Bank,' as suggested in the report, has indeed been very generally accepted as the result of the discussions concerning the extension of British foreign enterprise which have been proceeding for more than a year past. The committee support this view, while insisting that existing institutions have left very little undone in providing sound financial facilities at home and abroad in the past. Their scheme is for a new type of bank, with a government charter, working with a large share capital, but not taking deposits as the joint-stock banks do, nor opening current accounts except for actual traders using its facilities. It would be able to give longer credits than ordinary banks, and in other ways supplement the business done on a necessarily less adventurous basis than they, with their liabilities to depositors, can take. This is, of course, just what our manufacturers have been asking for, and, in essentials, a new institution on these lines has, as we have always said, its own special sphere only too obviously cut out for it. There is no reason why it should not be added at once to our financial machinery on a commercial basis, and made to pay, directly and indirectly, if competent management is forthcoming.

"Where the scheme, as much too briefly explained in the report, is bound to meet with criticism is in its connection with the Government. On the one hand it is proposed that the new bank shall not unduly interfere with the busi-

ness done by existing commercial firms or institutions and should not actually be under Government control. On the other hand, besides a royal charter, it is proposed to give it in various respects a privileged position, and apparently a preference, in respect of Government financial assistance towards creating new business in the foreign and even in the home field, in a way which looks like necessarily bringing it into competition with ordinary private enterprise, possibly to the serious disadvantage of existing financial houses. Alternatively it is projected by means of the credit attaching to Government support, to enable it to take just the bad risks that no other capitalist will finance—a rather doubtful benefit ultimately to the public. On all this part of the scheme, so far as it connects the Government with the bank, we should have preferred a much fuller discussion than the report vouchsafes. The difficulties are in no way indicated or tackled, and the precise character of the taxpayer's liability is completely slurred over. The best feature in this part of the scheme is the proposal for a Bureau d'Etudes in connection with a reorganization (badly wanted in any event) of the commercial intelligence branches of the Board of Trade and the Foreign Office."

French Municipal Loan

LOANS of $20,000,000 each to the City of Bordeaux, City of Lyons and City of Marseilles, France, were announced recently by Messrs. Kuhn, Loeb & Co., New York. The bonds are for three years, payable in gold, and bear six per cent. Accompanying the offer of the loan are these statements:

The Government of the French Republic is to undertake to furnish and permit the exportation of gold, so far as necessary, to permit the cities to pay the interest or principal amount of the loans in gold in the city of New York.

It is stated that these loans are the only external loans of the above mentioned cities, and are to be made to provide for expenditures for the alleviation of suffering caused by the war and for other municipal purposes.

Bordeaux, one of the three leading French seaports, has, according to last enumeration, a population of 261,678 and a funded debt of francs 48,500,000 (approximately $9,000,000). Lyons, next to Paris the leading trade center of France, has according to the last enumeration, a population of 523,796, and a funded debt of francs 97,000,000 (approximately $18,000,000). Marseilles, the foremost seaport of France, has according to the last enumeration, a population of 550,619 and a funded debt of francs 122,800,000 (approximately $23,000,000).

Canada After the War

CANADA, like the United States, is prospering mightily, with manufacturers busy everywhere with war orders, high prices for crops of average abundance and heavy demands for the products of all her staple industries. Nevertheless the bankers and other thinking men of the country are asking themselves, "After the war, what?" There is no delusion that present prosperity and activity is to continue indefinitely.

Sir George Foster, Minister of Trade and Commerce, and his able deputy, F. C. T. O'Hara, have taken up this subject with vigor and it is evident that no stone will be left unturned to prepare the Dominion for what may be in store for her after the great conflict is over. Steps have already been taken by the Department to organize and bring about a general convention of the business interests of the country to consider these questions and formulate a plan of action.

Nobody knows just what after-the-war conditions are going to be. The theories of the ablest economists have been upset during the present conflict and the apparently impossible has happened again and again.

As D. C. Macarow, general manager

of the Merchants Bank of Canada, said in a recent address to a gathering of branch managers:

"It is a time of change in the country's affairs and indeed in the affairs of the world at large. Even in the view of the most pessimistic, the war is drawing to its close and we must be prepared to face the after-the-war conditions.

"I shall not embark, however, upon any prophecy as to what these after-the-war conditions will be, as practically every prophecy regarding this war, no matter by whom made (and prophecy has been handed out liberally in regard to the financial, economic and physical effects to be expected), has been falsified by results.

"That we shall achieve in good time a complete victory, however, no one need hesitate to prophesy, and that this country will afterwards experience extensive and solid development appears to be equally well assured. What period will elapse between the war's termination and the beginning of substantial development here, and just what the prevailing conditions will be during the interim when the readjustment of world conditions is being effected, are questions not so easily answered, whatever one's opinions may be.

"To use Mr. Asquith's classic expression, therefore, we shall have to 'wait and see'—keeping our sails trimmed the while."

The European War Debt

INDEBTEDNESS of the seven principal nations engaged in the European war has cost $75,000,000,000, according to statistics prepared by the Mechanics and Metals National Bank of New York, and made public in a special booklet on the financial aspects of the war. In the middle of 1914 the indebtedness of these seven nations was $27,000,000,000.

Financing on an extensive scale has taken place abroad this fall. France has issued a second formal war loan, Germany a fifth loan, and Russia a sixth loan. Great Britain has issued temporary securities in enormous sums. All the nations have been compelled to borrow extensively, on account of the rising cost.

The war is now costing $105,000,000 every twenty-four hours, according to the Mechanics and Metals National Bank; expenditures of the Entente Allies being fully double those of the Central Allies. Last April, when this bank undertook previously to make a financial analysis of the war, its calculation of daily war cost was $90,000,000. That Europe will have expended 75 billion dollars directly for military operations, and that its combined direct and indirect cost will have been above 100 billions if hostilities extend to the middle of next year, is a statement made by the bank. In making its estimate of direct military expenditure, the bank compares it with the cost of other great wars of history as follows:

	Approximate Cost
Napoleonic Wars, 1793-1815..	$6,250,000,000
American Civil War, 1861-64..	8,000,000,000
Franco-Prussian War, 1870-71.	3,000,000,000
South African War, 1900-02...	1,250,000,000
Russo-Japanese War, 1904-05..	2,500,000,000
European War, 1914-17.......	75,000,000,000

The statement is made that the American Civil War, hitherto the greatest conflict in world history, is being duplicated in the present war with such intensity that a counterpart of every full year of that struggle is being reproduced

each month. Pro-rated over the entire population, the direct cost of the present war means more to the people of England than of any other nation. France is only a little behind on the list, Germany is third and Russia last.

Interest on debt will require the payment of $3,800,000,000 yearly after 1917, if the war ends next year, according to the Mechanics and Metals National Bank. In 1914 interest on debt was $1,070,000,000. In a booklet presenting these figures, the bank indicates that total government expenditure in Europe, for bond interest and support of the various branches of government, will require nineteen per cent. of the people's income.

New Loan to Russia

ON November 16 formal announcement was made of a new loan of $50,000,000 to Russia. It is for five years and bears 5½ per cent.

The bonds are to be dated December 1, and interest will be payable June 1 and December 1, in gold coin in New York. The bonds will be exempt from all present and future Russian taxes. The terms of the agreement provide that the principal is payable at maturity at the option of the holder in rubles, at the offices of the Imperial State Bank of Russia, at the current commercial rate of exchange of Petrograd at sight on New York. The bonds and coupons, when due and payable, will be accepted in payment for all Russian custom house dues at the value of gold dollars at the current rates of exchange. The bonds are also eligible as security for Russian Government contracts.

The option of payment at maturity at the Imperial State Bank of Russia at the full face value of the bonds in rubles at the exchange rates then prevailing, is declared to be a very valuable privilege, one possessed by no other issue of Russia's external or internal debt.

In the descriptive circular issued by the bankers it is stated that the volume of American exports to Russia have been steadily increasing, and that the essential object of the loan is to facilitate the continuation of this growing export trade. The exports for the eight months ended August 31, 1916, are given as $300,362,626, compared with $169,099,931 for the entire year of 1915.

The bankers say further that the future development of Russia's resources, in accordance with a comprehensive programme now contemplated, should insure to Russia, for years to come, a permanent place as a leading export nation.

The Russian loan is offered under the names of J. P. Morgan & Co., the National City Company, the Guaranty Trust Company, Lee Higginson & Co., and Harris, Forbes & Co.

Russia's total debt, including the last unsecured loan of $50,000,000 negotiated in this country, is estimated at approximately $14,850,000,000, compared with $4,537,000,000 in July, 1914. This estimate includes all floating debt and advances made by other nations.

Bank of Adelaide

AT the last annual meeting of the Bank of Adelaide, Australia, Mr. A. Waterhouse, who presided, remarked that it had been found advisable, in consequence of the provisions of the Federal Income Taxation Act and their interpretation by the Commissioner, to recast the report.

At the invitation of the chairman, the manager (Mr. J. Shiels) read the alteration, and added that the directors had also reported that the interim dividend of £20,000 paid in November, 1915, was paid out of the profits for the half-year ended September 27, 1915, and that those profits exceeded the amount of the dividend so paid; that the dividend of £20,000 which they now recommended would be paid out of the balance of the profit for the year ended March 27, 1916, after having paid out of it the said interim dividend of £20,000.

The chairman, in moving the adoption

of the directors' report, said: For the past year shareholders were reminded that the conditions of drought and war which prevailed at the last meeting had had a great influence upon the business of the bank during the period under review.

It should be borne in mind that the farmers, in putting in last year's crop, were handicapped in several ways. They had lost a lot of working stock, and what remained was in low condition. They had to buy fodder, seed, and manures, at very high prices. Drought, fortunately, now was a thing of the past, and a record harvest had been successfully gathered, but the war intervened. The demands upon shipping for war purposes by Great Britain and the Allies have been such that it was difficult to obtain freight for the quick marketing of their produce. Hence, the farmers were faced with a slow and uncertain market, and had not appreciated their good yield as they might have done in other circumstances. That was regrettable, for there was no section of the community which had faced its difficulties with greater courage, economy, and determination. However, the present held greater promise. They were equipped with ample fodder, full supplies of seed, for which they would not have to pay, and their working stock was sufficient and in good order. It might, therefore, be hoped that with an average season their efforts would meet with the reward they so well deserved.

The profit and loss account showed improvement, exchange business having partially recovered from the paralyzing effect of the outbreak of hostilities, and the short exports as the result of the drought.

The directors recommended a dividend of eight per cent. per annum, and to carry forward a considerably larger balance, which, in the circumstances, was considered better than further adding to the already large reserve fund.

The figures showed little variation from those of last year, although in the meantime the South Australian Government had removed its accounts to the Commonwealth Bank. They regretted losing this business after twenty-three years, during which time they claim to have efficiently conserved the interests of the state. Liquid assets—unless the Government wheat advance of £602,000 were included, as they thought it should be—were lower; but if that amount were included they were rather higher than last year's. Financing the present harvest, especially in view of the difficulty in obtaining shipping, had naturally reduced their cash reserves, which were, however, quite sufficient for the requirements of their business.

The board has scrutinized every account on the bank's books, and ample provision has been made for probable losses. Investment stocks—chiefly Government securities—had been written down, and now stood at the price of the day.

Having regard to the great strain imposed upon the staff by the abnormal conditions, the board had voted a bonus of five per cent. on the salaries of all officers which did not exceed £500 a year, both on this and on the London staff. That acknowledgment was well deserved, for the staff had risen to the occasion with great loyalty. The drain on the staff (including the London branch) caused by enlistment for active service, amounting to fifty-five, had to some extent been met by the employment of lady clerks, whose work had proved efficient, and whose services in the future would probably be retained. He moved: "That the interim dividend of £20,000 paid in November, 1915, be charged and debited to the profits for the half-year ending September 27, 1915, and that the now proposed dividend of £20,000 be paid out of the balance of the profits for the year ending March 27, 1916, and, with these qualifications and subject to these directions, that the report and balance sheet be adopted."

The motion was adopted.

Messrs. A. G. Rymill and J. R. Fowler were reappointed directors, and Messrs. W. L. Ware and W. Neill auditors.

Return of Foreign-Owned American Securities

SOME interesting investigations regarding the return to this country of American securities held abroad, have been made by Mr. L. F. Loree, president of the Delaware & Hudson Railroad. Writing on the matter to the New York "Journal of Commerce," Mr. Loree says:

"My own inquiries have shown that between January 31, 1915, and July 31, 1916, American investors repurchased not less than $1,288,773,801, in par value, of the securities of their own railways which had been owned by residents of foreign countries. The market value of these securities was in excess of one billion dollars. The data must somewhat understate the facts as to railway securities, and they take no account of other kinds of securities (industrial and municipal issues) that have been resold to this country. Data with regard to the omitted securities are very scanty. On December 31, 1914, the foreign holdings of United States Steel Corporation common stock amounted to 1,193,064 shares and of preferred to 309,457 shares. To September 30, 1916, the foreign holdings of the common had decreased to 537,809 shares and of the preferred to 171,096."

New Building of the Commonwealth Bank of Australia

FORMAL opening of the new building of the Commonwealth Bank of Australia, Pitt and Moore streets, Sydney, N. S. W., took place on August 22 in the company of the Governor General and principal officials of the Commonwealth of Australia and many other distinguished guests. After the ceremony of presenting gold keys to the bank to several persons of prominence, addresses were made by His Excellency the Governor General, the Prime Minister, the Commonwealth Treasurer and the Governor of the Commonwealth Bank.

The new building—an illustration of which has previously appeared in these pages—is ten stories above the pavement and has basement and sub-basement below the pavement. All the floors are occupied by the bank's various departments. In all respects the new building, in materials and construction, conforms to the latest type of bank architecture.

National Bank of South Africa, Limited

CONTINUED progress is exhibited by this institution, the balance-sheet figures for the year ended March

31 last showing substantial increases as compared with the previous year. Deposits and current accounts at £23,157,000 mark an increase of nearly £3,000,000. The net profit for the twelve months has amounted to £221,576, as compared with £184,558 for the previous year. A dividend of six per cent. is paid, absorbing £167,282. All investments have been written down to prices ruling at March 31 last, with the exception of the last war loan, which stands in the book at the price of issue. The securities are of a gilt-edged description, being either Government stocks or investments of the highest class.

Loan to Sao Paulo, Brazil

A SIX PER CENT. serial external gold loan of $5,500,000 to the City of Sao Paulo, Brazil, interest and principal payable in United States gold coin, is announced by the Equitable Trust Co. of New York. The bonds are dated December 1, 1916, and are due January 1 of each year from 1919-1928 inclusive, in equal instalments of $550,000 of each. The denomination of the bonds is $1,000, registerable as to principal only. Interest is payable semi-annually January 1 and July 1, except that the first coupon payable July 1, 1917, shall represent interest for seven months from the date of the bonds. The bonds are free from all Brazilian federal, state and municipal taxes.

Bank of Venezuela

THE report of this institution as made to the last annual meeting of shareholders at Caracas, shows that while business has somewhat improved, it has not yet reached the volume ruling prior to the war in Europe. Earnings for the period covered by the last report were, however, more favorable than for the preceding one. Earnings for the first half of 1916 were 1,365,831 bolivars, and expenses 375,083 bolivars. After making provision for dividends and the guaranty and reserve funds, 360,000 bolivars remained to be carried forward.

Bank of North Queensland

THE fifty-sixth report of the Bank of North Queensland was presented at the shareholders' meeting, Brisbane, July 21. Net profits for the half-year, after making customary dedeductions, were £6,520, which added to the carry-over gave £10,182. Of this £4,875 was applied to dividend for the half-year at the rate of six per cent. per annum, and the balance to dividend tax, writing down cost of Sydney

premises, leaving £63 to be carried forward.

Proposed Bond Issue in Uruguay

THE President of Uruguay has asked Congress to authorize an issue of bonds to the amount of 13,500,000 pesos (peso=$1.034), to be known as the "1916 internal conversion loan." This loan would draw 6½ per cent. annual interest, payable quarterly, with one per cent. cumulative amortization, payable annually from 1917. The proceeds from these bonds would be used to cover the 1915-16 deficit of 3,152,576 pesos, to convert at par the eight per cent. treasury warrants of 1915, amounting to 9,520,000 pesos, and to cancel other indebtedness, consolidated in one large loan these various accounts and reducing the interest on them.

New Loan to China

A CHINESE loan of $5,000,000 was announced a short time since by the Continental and Commercial National Bank of Chicago. It is reported that some objection to the loan was made on the part of the financial group of powers through whom alone China is supposed to place external loans.

Trust Company Resources Now Exceed $7,600,000,000

THE fourteenth annual edition of "Trust Companies of the United States," issued by the United States Mortgage & Trust Company, New York, is being distributed.

In the preface, President John W. Platten says: "The trust companies of the United States during the year just closed have had exceptional opportunities for service to the financial and commercial interests of this country and to the foreign nations as well. The problems incident to the new position of the trust companies in the world affairs have been met and solved with courage, while the business openings resulting therefrom have been availed of with enterprise and good judgment. A noteworthy increase in the business of acceptances, both foreign and domestic, the establishment of well-equipped departments for the handling of foreign transactions, especially with Central and South America, and liberal participations in foreign loans, are all deserving of special mention. The work of unifying and improving existing laws for the safeguarding of the interests of these companies and their clients is progressing satisfactorily, while the administration of corporate and private trusts in ever-increasing volume is continually evidenced.

"When it is considered that the aggregate of trust company resources reported during the year increased one billion three hundred million dollars and now totals over seven billion six hundred million dollars, the vital and growing importance of the part played by trust companies in national and international affairs will be fully realized and these institutions continue to receive a deservedly increasing measure of recognition and support."

Just five years ago the aggregate resources of these companies reported in this compilation were $5,168,000,000, showing an increase of forty-seven per cent. for all trust companies in the United States.

The showing of trust company growth in the following states is interesting:

STATE	INCREASE	PER CENT.
New York	$531,000,000	25
Pennsylvania	139,000,000	15
Illinois	117,000,000	18
Massachusetts	110,000,000	26
Ohio	94,000,000	26
New Jersey	41,000,000	13
Connecticut	39,000,000	61
California	35,000,000	14
Indiana	20,000,000	18

VIEW OF THE ENTRANCE TO THE NEW QUARTERS OF THE CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

Modern Financial Institutions and Their Equipment

New Buffalo Bank Opens For Business

A NEW Buffalo bank, The Citizens Commercial Trust Company, has opened for business in the Ellicott Square building. Hoggson Brothers, the New York builders, designed and equipped the new quarters. The main banking room has a street frontage of fifty-two feet with a depth of sixty-four feet. In the basement, seventy-five feet wide by one hundred and twenty feet long, is located the safe deposit department, storage vaults, etc.

The facade of the bank is formed by the piers of the Ellicott Square Building. Three large plate glass windows, set in copper frames, occupying the entire front, afford ample light in the banking quarters. The vestibule is finished in copper and the imposing architectural treatment of the doorway gives importance to the entrance of the bank.

The main banking room of the Citizens Commercial Trust Company has been planned and laid out in a manner which admirably serves the purpose of the bank. The quarters represent the intelligent use of beautiful and appropriate materials in combination with richness of design. The room is spacious, generous and dignified.

The public space has been cleverly laid out in the form of a Greek cross, one axis following the line of the main entrance and the other determined by the entrance from the public corridor of the Ellicott Square building. This cruciform arrangement of the public space divides the banking room into four quarters. The division on the right of the front vestibule is occupied by the offices of the bank with an adjoining cage for collections, discounts, etc. The space on the left of the front vestibule is given over to the bond department and to new business, while the two remaining divisions in the rear of the banking room are taken up by the savings' and tellers' cages.

MAIN BANKING ROOM, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

A PART OF BOND DEPARTMENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

THE CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y., AS IT APPEARED ON THE DAY OF OPENING

The officers' quarters, which are eighteen feet square, are on the right of the vestibule divided from the public space by a low marble rail, making the officers easily accessible to the public. Two rooms in the rear give the necessary privacy for consultations.

A large cage for collections, discounts, notes and foreign exchange is set between the officers' space and the credit department, so that the cage is in close connection with the two departments of the bank with which it needs to be in touch. This cage has two wickets opening onto one arm of the public space, and one wicket opening onto the other arm. There are also hand holes in the rear partitions for passing papers, etc., to and from adjoining cages.

In addition to the usual drawers, special pedestals have been provided under the counter, on either side of the knee spaces, fitted with tiers of drawers and cupboards.

On the left of the vestibule, opposite the officers' quarters, the bond department occupies a space twelve feet wide by twenty-seven feet long. Like the officers' space this is separated from the public by a low marble rail in which are two bronze gates. On the other arm, this low rail has been converted into a check desk, a glass writing bed taking the place of the marble ledge.

In the right-hand rear portion of the banking room are three cages for the tellers, with two spare wickets, while in the remaining quarter opposite, is a large cage with three wickets for the savings department.

The end of the main arm of the public space is hexagonal in shape with a wicket in the center bay opening into the statement cage. At the end of the cross arm of the public space, a door gives access to the working space of the credit department, which has been laid out along generous lines to allow for future growth.

There are three handsome marble check desks set in the public space in addition to the special check desk for the bond department. These desks are of Botticino marble with clear plate

glass writing beds, through which may be seen the racks containing various blank forms in use in the bank.

The marble rail in front of the officers' quarters is continued around the whole of the public space, forming a wainscot for the counter screen in front of the working cages. The upper portion of the screen is broken up into panels by light bronze pilasters, supporting a bronze cornice with a small bronze urn over each pilaster. The panels are filled in with clear glass in the upper portion, with a band of obscure glass just above the counter, and all the wickets are finished with bronze grilles and black Carrara deal plates.

The doors in the counter screen on the public side are finished in mahogany matching the panelled wainscot in the officers' space and the bond department.

The wood work throughout the working space is finished in oak, with wire mesh partitions separating the different departments. The desks, chairs and other loose furniture are finished in oak or mahogany to match the finish of the adjoining woodwork. The floor of the public space is terrazzo with a mosaic border and the floors throughout the working space have been laid with battleship linoleum.

In planning the arrangement of the different departments their interrelation has been closely studied. The intention has been to keep those departments together that are most closely associated. At the same time, special attention has been given to the individual requirements of the different departments in the way of equipment.

The location of the various desks, tables and other furniture has been laid out to assure an efficient working arrangement with a maximum of clear floor space, and the lighting fixtures, telephones and other mechanical devices have been placed accordingly.

The harmonious combination of the materials used in the design of the whole equipment of the banking room make the new quarters of the bank good to look at, as well as to work in.

In addition to the first floor, occupied by the bank, a basement space three

PART OF FOREIGN EXCHANGE DEPARTMENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

JOSEPH BLOCK
CHAIRMAN OF THE BOARD, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

WILLIAM CROSBY
PRESIDENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

times the area of the main banking room is utilized. Here are the great vaults, the safety-deposit vault, two silver vaults and a cold storage vault for furs and the like.

The main entrance to the basement is by means of the public elevator and also by a wide flight of stairs located in the banking room near the public corridor.

Both stairs and elevator lead the customer to a large stair hall in the basement. An iron grille separates this hall from a large reception room twenty-five feet wide by thirty-eight feet long, in the rear of which are the vaults.

On the right of the reception room are special rooms for ladies, twelve coupon booths and two committee rooms. The space in rear of the vaults has been allotted to those departments closely associated with the safe deposit and storage vaults and to such departments as rarely come in touch with those on the first floor. The working quarters of the bank on the first floor and basement have, however, been linked up by means of a new circular iron stair and an elevator designed to carry coin trucks as well as passengers.

Not the least interesting feature of

BLACK ROCK BRANCH, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

William H. Andrews
VICE-PRESIDENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

Norman A. MacDonald
VICE-PRESIDENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

the remodeling of these quarters for the bank is the Hoggson Building Method, under which the work was done by Hoggson Brothers. The entire operation from the preparation of the plans, through the construction, decoration, even the equipment and furnishing was conducted under a single contract for the completed quarters at a guaranteed limit of cost to the bank.

WILLIAM STREET BRANCH, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

The despatch with which the work was done is another feature worthy of mention. The four store rooms which were to be remodelled, were vacated by tenants in the Ellicott Square building and turned over to Hoggson Brothers on July 24, after which measurements had to be secured to determine the exact location of columns and walls. Then the figured detailed drawings and shop drawings for marble, bronze and cabinet work had to be made and the work manufactured, delivered to the job and erected. All of the plaster had to be removed from the four stores as well as new floors laid in the banking room. The quarters were completed so that the bank opened for business on October 2, substantially nine weeks from the

ROY H. GRIFFIN
VICE-PRESIDENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

SYDNOR J. TUCKER
VICE-PRESIDENT, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

time the quarters were turned over to the contractors.

THE NEW BANK'S ORGANIZATION

THE formation of the Citizens Commercial Trust Company with its capital and surplus of $2,500,000 marks an epoch in Buffalo's commercial development. It represents a consolidation of the Citizens Bank, Black Rock Bank and the Security Safe Deposit Company. The combined capital and surplus of the consolidated companies has been increased to $2,500,000, making it the largest trust company in this respect in the city of Buffalo at the time.

The Citizens Bank was incorporated twenty-six years ago, continuing operation under that title until the recent merger, as above noted.

The policy of the institution was a conservative one, and as a result of the long time of its existence, it succeeded in obtaining a substantial place in the confidence of the community and out-of-town interests, which it served.

The following is a comparative schedule of deposits and resources of figures of the old company compiled from 1908 to 1916.

	RESOURCES	DEPOSITS
June 17, 1908	..$2,388,637.12	$2,017,101.95
June 20, 1910	.. 3,012,191.50	2,618,752.49
June 14, 1912	.. 4,492,697.13	4,013,850.47
June 30, 1914	.. 5,751,516.14	5,248,243.15
June 30, 1916	.. 6,910,704.93	6,350,691.71

When the Black Rock Bank was taken over, it brought the bulk figures up to $7,484,000 for deposits and $10,007,000 resources. The capital and surplus being $2,500,000, places the company in a very efficient position

E. B. Clare-Avery

SECRETARY, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

Robert C. Gaupp

TREASURER, CITIZENS COMMERCIAL TRUST COMPANY OF BUFFALO, N. Y.

to satisfactorily handle the additional business, which is finding its way in each day. Since the last figures above mentioned were compiled, the deposits have increased by $2,675,000, making the total resources now $12,675,000.

Nothing has been spared in equipping the office with every device essential to the last word in "Service," which the company now offers the citizens of Buffalo and banking correspondents throughout the country. It was generally felt that owing to the continued growth of the city, a new large banking institution was needed. The community responded readily to the idea and a very representative directorate was obtained. It would hardly be possible to join together on one board, directors stronger financially or better able to advise and govern, considering it as a whole.

A complete list of officers follows: Joseph Block, chairman of the board; William H. Crosby, president; William H. Andrews, Norman A. MacDonald Roy H. Griffin and Sydnor J. Tucker, vice-presidents; E. B. Clare-Avery, secretary; Robert C. Gaupp, treasurer; Leo B. Seitz, William F. Chase, Bernard M. Norcross and Harry G. Hoffman, assistant secretaries.

Mr. Joseph Block, chairman of the board, was the person responsible for the incorporation of the Citizens Bank and was president during its twenty-six years of existence. Mr. William Crosby, the president, is one of Buffalo's most substantial citizens, being the head of the large Crosby Company. William H. Andrews, the first vice-president, is president of Pratt & Lambert, Inc., one of the largest varnish manufacturing concerns in the world. Norman A. MacDonald, vice-president, was formerly cashier of the Citizens Bank and has taken an active part in the development

of the banking business of Buffalo. Roy H. Griffin, vice-president, is a well known banker from Chicago, at which place he was vice-president of the People's Trust and Savings Bank. Sydnor J. Tucker, vice-president, is considered an authority on investment bonds and formerly represented the National City Bank in the western part of New York state. He is in charge of the investment bond department. E. B. Clare-Avery, secretary, is a well-known banker, formerly with the Merchants-Laclede National Bank, St. Louis. The remaining officers are all young Buffalonians, who have for the past fifteen years taken an active part in the banking business of the city.

A unique feature of the Citizens Commercial Trust Company is that it is the only institution in Buffalo operating more than one branch. The branch banking system is locally popular, the feeling being that it gives the people the benefit of large, strong banks in sections which ordinarily would only be able to support smaller institutions.

As an evidence of the popularity of the new institution, the deposits made on the opening day were over $1,225,000, and over one hundred floral offerings were sent in.

At the close of business November 29, 1916, this bank had deposits of $10,159,088.53, and total resources of $12,759,718.50.

Casco Mercantile Trust Company, Portland, Maine

THE important and successful merger of the Casco National Bank and Mercantile Trust Co. at Portland, Me., which took place last January, materially enhanced Portland's financial prestige and added one more to the list of New England's strong banks. The Casco organization, always a strong one, has now acquired

MAIN BANKING ROOM, CASCO MERCANTILE TRUST COMPANY, PORTLAND, MAINE

DIRECTORS' ROOM, WITH BOARD IN SESSION, CASCO MERCANTILE TRUST COMPANY, PORTLAND, MAINE

LADIES' ROOM, CASCO MERCANTILE TRUST COMPANY, PORTLAND, MAINE

Col. Fred N. Dow
PRESIDENT, CASCO MERCANTILE TRUST COMPANY, PORTLAND, MAINE

Robert H. Bean
SECRETARY-TREASURER, CASCO MERCANTILE TRUST COMPANY, PORTLAND, MAINE

facilities which fully equip it for service in every department of modern banking.

It was back in 1824, nearly a hundred years ago, that the old Casco Bank was first organized as a state institution, and in those early days it passed through the varied experiences common to the few banks in existence in those stirring times. It met with success from its inception and in 1836 took over its proportion of the loan account of the local branch of the United States Bank, then winding up its affairs. It participated in the loan to the state for equipping the Maine troops at the beginning of the war in 1861, and during the war when the result was still hanging in the balance, aided the Government to the full extent of its resources.

Its capital at the start was $100,000, which was increased from time to time until in 1865, when it became a National Bank, it was $800,000.

Modest second-story rooms were first occupied and later the ground floor of a building which was destroyed in the great fire of 1866. Then a new building was erected on the site of the present banking house, the front of which was let for stores and offices and the rear utilized for banking purposes. Later the growth of the bank called for the occupancy of the front of the building and now a large part of the commodious structure is used by the bank. Lately the banking rooms have been entirely remodeled and fitted up in modern style, offering attractive facilities to customers for the convenient transaction of their business.

The Mercantile Trust Co., which was merged with the Casco Bank was a much later institution, having been organized in 1898. The combined deposits aggregated $7,500,000. The officers of the new institution at the time of the merger were: President, Fred N.

Dow, formerly president of the Casco National Bank; vice-presidents, Edward B. Winslow, formerly president of the Mercantile Trust Co., and Frank L. Rawson; secretary and treasurer, Robert H. Bean.

The president, Colonel Dow, is one of the most widely known men in Maine, in the public life of which he has long been prominent. He was for some years a member of the Executive Council of the state, being chairman of that body, was speaker of the House of Representatives, Collector of the Port of Portland, and chairman of the Republican State Committee. He was recently chairman of the delegation from Maine in the recent national Republican convention. He is a son of the world-famous Neal Dow. He is prominent in business circles, is the owner of the Portland "Evening Express-Advertiser"; president of the Portland Gas Light Co., president of the Union Safe Deposit & Trust Co., and is largely interested in real estate.

DINING ROOM WHERE MEALS ARE SUPPLIED TO THE CLERKS OF THE CASCO MERCANTILE TRUST COMPANY, PORTLAND, MAINE

Mr. Winslow was formerly president of the Mercantile Trust Co. He is at the head of Winslow & Co., Portland; vice-president of the First National Bank, a director of the Union Safe Deposit & Trust Co., of the Union Mutual Life Insurance Co., of the Maine Central Railroad Co., and of the New England Telephone and Telegraph Co. Because of the Clayton Act, Mr. Winslow was obliged to resign as vice-president of the Casco Mercantile Trust Co. and Eleazer W. Clark, formerly vice-president of the Casco National Bank, was made vice-president in his place. Mr. Clark is at the head of the great shipping house of J. S. Winslow & Co., which controls one of the largest mercantile fleets of the country.

Mr. Rawson was formerly commercial superintendent for Maine of the New England Telephone and Telegraph Co., and is in charge of the bond department of the new company.

Mr. Bean is a young banker of wide experience in bank management, starting with the Third National Bank of Boston, auditor of the National Union Bank of Boston and treasurer and active manager of the Old South Trust Co. of Boston. His ability and experience brought him the presidency of the American Institute of Banking, and he is a member of the Executive Council of the American Bankers Association.

The board of directors comprises men prominent in the business affairs of Portland and Maine, including, besides the officers, Maynard S. Bird, banker; Mervin W. Clark, Charles Cook, wholesale druggist; Lyman A. Cousens, investment securities; Oakley C. Curtis, Governor of the state; Fred T. Gigneux, capitalist; William H. Dow, treasurer "Evening Express"; Seth C. Gordon, physician; James C. Hamlen, foreign lumber; Aurelius S. Hinds, A. H. Hinds, manufacturers; Eugene E. Holt, physician; Roscoe T. Holt, state senator; Henry M. Jones, iron and steel; Alexander T. Laughlin, wholesale grocer; Adam P. Leighton, Chisholm Bros., general news agents; John F. Liscomb, president Chase Transfer Co.; Henry F. Merrill, coal; Franklin R. Redlon, general contrac-

tor; Ammi Whitney, Joseph W. Whitney, agricultural implements.

The Casco Mercantile Trust Co., with resources of $8,022,599.20, is equipped to care for business of all kinds and of any magnitude. The company is a large purchaser of commercial paper, has a fully equipped bond department, and its relations with the outside banking and business public are large and growing.

The last published statement of the company (as of October 24, 1916) was as follows:

RESOURCES	
Cash on hand	$205,264.24
Due from banks	732,626.76
Loans, demand	970,489.45
Loans, time	3,079,344.35
Investments, bonds	2,319,984.61
Investments, stocks	644,889.79
Banking house and fixtures	70,000.00
Total	$8,022,599.20

LIABILITIES	
Deposits	$7,223,364.54
Capital	500,000.00
Surplus	200,000.00
Undivided profits	99,234.66
Total	$8,022,599.20

Banking and Financial Notes

EASTERN STATES

New York City

—In order to make room for its constantly expanding business, the Metropolitan Trust Company, George C. Van Tuyl, Jr., president, has leased the space heretofore occupied by the International Banking Corporation and the International Bank, comprising the entire second floor and half of the fourth floor at 60 Wall street.

In order to close the above lease it was necessary for the brokers to find quarters for the International Bank, which was accomplished by locating that institution in the Whitehall building in Battery place. The International Banking Corporation was provided for in the building of the National City Bank, and the Yokohama Specie Bank is to remove from the National City Bank building and will occupy quarters on the fifth floor of the Equitable building.

—Thomas Williams, senior member of the firm of Ichabod T. Williams & Sons, was elected a director of the United States Mortgage and Trust Com-

pany at a meeting of the board of directors held October 27.

—The Harriman National Bank is notifying its shareholders that at the annual meeting to be held in January a recommendation will be submitted by the board of directors increasing the capital stock of the bank from $500,000 to $1,000,000. It is the intention of the bank to declare a cash dividend of 100 per cent., and stockholders will be advised that the dividend payment may be utilized for subscription payments to the new stock.

—Directors of the Columbia Trust Company have voted to declare a special cash dividend of $2,000,000, payable out of surplus, and at the same time to increase the capital stock from $2,000,000 to $5,000,000, offering the new stock to the present shareholders at par. The rights thus offered will be valuable, because the new stock will have a back value of $230, and, judging by the present market price of the old stock, $640, as against a book value of $525, new stock should sell about $280.

The directors have elected Harris A. Dunn and Chollis A. Austin vice-presidents; Langley W. Wiggin, vice-president and secretary; F. C. Marston, treasurer, and S. Stern, manager of the foreign department. Orrin R. Judd was made trust officer, Willard C. Mason, assistant trust officer; Walter G. Kimball, assistant treasurer; Charles E. Wolff, assistant secretary, and F. G. Herbst, auditor.

In connection with the increase in capital stock, it is worthy of note when the matter was first taken up by the executive committee, and before the board of directors had acted upon it, President King sent a notice to each stockholder to the effect that such an increase was contemplated, thus saving the stockholders from parting with their shares without knowledge of what was about to happen.

—Even in these times of big banking totals, the statement of the Hanover National Bank of November 17 is impressive. The statement shows a capital of $3,000,000; surplus and profits $16,000,000; deposits $208,600,000, and total resources $231,714,000.

—That the National City Bank of New York appreciates the value of the American Institute of Banking and the work that it is doing has been amply demonstrated during the past year by the fact that they have reached out in various sections of the country and picked men members of the Institute for responsible positions in their organization.

The latest Institute man to become identified with this bank is James B. Birmingham of New York Chapter, who goes with them to take up work in the new business department. Mr. Birmingham has been a member of New York Chapter for the last seven or eight years, during which time he has taken a prominent part in its activities, and has received the Institute certificate for the

successful completion of the prescribed course of study. He has served on various committees of the Chapter; was chief consul one year, and last year was chairman of the important educational committee. He has served on the board of governors of the chapter for a number of years, and is still a member of that body.

Mr. Birmingham first entered the banking business in 1904, when he went with the Citizens Central National Bank of New York. He remained with this institution until about a year ago, when he accepted a position with the Atlantic National Bank, which he now leaves to go with the National City Bank.

Mr. Birmingham has attended a number of national conventions of the Institute, and is well known to A. I. B. men throughout the country, all of whom will be glad to learn of the opportunity which has come to him.

—Employees of the National Bank of Commerce in New York celebrated the recent inauguration of their commerce club with an informal dance and supper at the Hotel Astor, where they were the guests of the officers of the bank. There were upward of three hundred couples present, and all distinction of official rank was lost in the spirit of good fellowship which made the event a most enjoyable one.

—Adolph F. Johnson, who has been with the Irving National Bank for a number of years, has resigned his position with that institution to become affiliated with the New York State Banking Department as an examiner. Mr. Johnson is one of the best-known of the younger banking men of New York city, and is well qualified to fill his new position, he having been with the Irving National Bank since 1903, during which time he has served in nearly every department of that institution.

Mr. Johnson is an active member of New York Chapter of the American Institute of Banking; is a member of its board of governors, and is a graduate of the Institute. He is also a member of the educational committee of New York Chapter, and is in charge of its debate section. Mr. Johnson graduated from the New York Law School in 1912 and from the Brooklyn Law School in 1913, and was admitted to the bar in the same year.

—The Corn Exchange Bank and associated institutions have granted a commercial credit of $25,000,000 to the British Government, the proceeds of which are to be used in the purchase of wheat in Canada.

The transaction involves the organization of a new corporation, to be known as the Wheat Export Company of Canada, and incorporated under the laws of New York State, with a nominal capital of $500. This concern is to handle wheat purchases in Canada for British account, and will finance them out of the proceeds of the $25,000,000 credit just arranged.

Money will be advanced on demand notes of the Wheat Export Company

carrying the guarantee of the British Government. The notes will be secured by wheat contracts and will run for an indefinite period at five per cent. It is expected they will mature some time next spring, probably in April.

F. T. SHERMAN, JR.

ASSISTANT TRUST OFFICER GUARANTY TRUST COMPANY OF NEW YORK

—Promotions in the official staff of the Guaranty Trust Company of New York have been of frequent occurrence in the past few weeks. The latest to be an-

C. H. PLATNER

ASSISTANT TRUST OFFICER, GUARANTY TRUST COMPANY OF NEW YORK

nounced were those of Frederick T. Sherman and Charles H. Platner, who have been appointed assistant trust officers of the institution.

Mr. Sherman is forty-one years old, a graduate of Brooklyn Polytechnic Institute and a member of the Phi Kappa Psi fraternity. He has been connected with the company for twenty years. Mr. Platner is thirty-three years of age and has been with the company five years.

—The National City Company has taken over the bond department of the National City Bank of New York and has purchased the bond business of N. W. Halsey & Co.

The National City Company occupies offices in the National City Bank building and is closely affiliated with the National City Bank.

The quality of service which has been rendered in the past by the individual organizations will be further enhanced by the splendid facilities of the new company.

—The Bethlehem Steel Co. is issuing $16,000,000 purchase money and improvement mortgage five per cent. 20-year sinking fund gold bonds, dated July 1, 1916, and due July 1, 1936. These bonds are the direct obligation of the Bethlehem Steel Co., all of whose stock excepting directors' shares is owned by the Bethlehem Steel Corporation. They are secured by a first mortgage on about 660 acres of land at Sparrows Point, Md., and are also secured by a first mortgage on about 430 acres of land at Steelton, Pa., on which are located the bridge shop, the frog and switch shop, the Semet-Solvay coke oven plant, the general office building, and the limestone quarries from which the Steelton plant obtains its supply of this essential raw material.

The bonds are further secured by a mortgage on all other plants and real estate of the Penn Mary Steel Co., including the Sparrows Point (Md.), Steelton and Lebanon (Pa.) plants and a 54.16 per cent. interest in the Cornwall Ore Banks and by pledge of $2,644,290 capital stocks of subsidiary companies.

Subject to certain underlying bonds, these bonds are further secured by mortgage lien on other plants and real estate and about $60,000,000 will be spent within the next four years in extending these plants and diversifying their products. All of these extensions will be covered by the purchase money and improvement mortgage.

An annual sinking fund beginning July 1, 1919, equal to 2½ per cent. of the outstanding bonds is to retire bonds not exceeding 105 and interest.

The bonds are being offered by Clark, Dodge & Co. and Brown Brothers & Co. at 100½ and interest, to yield about 4.96 per cent.

—The Bankers Club (officers and employees of the Bankers Trust Company) celebrated its fifth anniversary November 21 by a beefsteak dinner at Reisenweber's. Prior to the dinner the annual election was held, the following being chosen as officers for the coming year: President, Wm. Howard Donahue; vice-president, R. G. Forbes; secretary, C. F. Bock; treasurer, W. S. Garretson; editor of the "Pyramid," P. A. Buttrick.

—Two more promotions in the official family of the Guaranty Trust Company of New York have been announced. N. D. Jay, manager of the bond department, has been made a vice-president, and L. S. Critchell, assistant secretary,

has been appointed manager of the department of publicity and new business, succeeding Fred W. Ellsworth, who was recently appointed secretary of the company.

Mr. Jay came to the Guaranty Trust Company a little over a year ago, from

D. N. JAY
VICE-PRESIDENT, GUARANTY TRUST COMPANY OF NEW YORK

the First National Bank of Milwaukee, where he was vice-president and manager of the bond department. He is thirty-three years of age and a graduate of K[illegible] College, Galesburg, Ill.

Mr. Critchell was educated in the South, and after experience with several Western banking institutions, he came to the Guaranty Trust Company four years ago. He was first connected with the credit department, and in April, 1912,

L. S. CRITCHELL
MANAGER, DEPARTMENT OF PUBLICITY AND NEW BUSINESS, GUARANTY TRUST COMPANY OF NEW YORK

joined the department of publicity and new business, in charge of the new business division. His work has involved considerable traveling, and Mr. Critchell is well known by bankers throughout the country.

—Officers of the Equitable Trust Company have announced that they would recommend to the board of trustees certain measures in the way of extra compensation to clerical employees, designed to cover the advance in the price of the necessities of life. The Equitable Trust proposes to pay each month, or until rescinded by the trustees, an amount equal to twenty-five per cent. of the salary of employees. This payment, the officers state, is not to be considered as an increase in salary and it is to be regarded as a temporary measure which will be discontinued or decreased according to the prevailing conditions. A separate account will be set up from which these funds will be paid.

The recommendation makes the payments retroactive so as to include the months of October and November. About 350 employees are affected.

—W. H. Macintyre, agent of the Standard Bank of South Africa, Lt., has received the following cable from the head office in London:

"The directors have resolved, subject to audit, to pay an interim dividend for the half year ended June 30, last, at the rate of fourteen per cent. per annum, less income tax. The bank's investments have been written down to the last ascertainable value as at June 30, and all of the usual and necessary provisions have been made."

—Cornelius N. Bliss and Thomas Cochran were elected directors of the Bankers Trust Company at a meeting of the directors held November 8.

—The United States Corporation Company, of which Howard K. Wood is president, has been extending its facilities at its enlarged offices, No. 65 Cedar street, corner of Nassau, and now has, outside the trust companies, the largest and best-equipped transfer department in the city.

Philadelphia

—Under date of November 15 the First National Bank, through its president, Mr. William A. Law makes public the following information regarding business affairs in this vicinity:

Textile manufacturers of this city never reported so many orders booked at a generous margin of profit. Raw materials are so high that producers are buying only against actual sales. They are doing their business on a cash basis, or for short credit. Machinery makers can scarcely be induced to take orders for power or electrical equipment where deliveries are required within a year. It is not a question of price, but of output.

Sugar refiners are earning excellent profits, although not nearly as much as the producers of raw sugar. The car shortage has made it difficult for the coal companies to supply the urgent needs of their customers, as the demand for steam coal is unparalleled. Ship builders cannot book any more 1917 business. With the existing situation in raw material and labor, some shipyards will not bid for large work, except upon a percentage basis.

This whole territory could use many thousand more men, many thousand more freight cars and a vast amount of additional raw material, if it had them. Wages are extremely high and the demand for labor is so great that one industry is bidding against another for competent workers. This is giving second-grade workers a remarkable opportunity to fit themselves for better positions and many are taking advantage of the situation and going ahead fast. Business is being conducted at such high

pressure, however, that the tension upon men and machinery is unusually great.

This is not to be wondered at, in a country whose foreign commerce this year promises to reach eight billion dollars, or one-fifth of the international trade of the world. This means that our foreign commerce is double what it was in 1914, although our supply of common labor is probably less to-day than it was then. If the eight-hour day should be generally adopted, the situation would become much more serious. The next war—that for commercial supremacy—will call for brains, not brawn. If we are to win it, we must develop the highest grade leadership, which is possible only for men who have been educated to adopt the international viewpoint. The struggle will be the most interesting that the world has ever seen, for the best talent of Great Britain, France and Germany are perfecting a thorough government organization to aid the nations in regaining the commercial prestige lost by war.

—For the fiscal year ending October 31, the Philadelphia Trust Company reports as follows:

Gross income	$1,541,104.19
Disbursements (including interest)	885,798.80
Net income	$655,305.39
Balance to credit of undivided profits, Oct. 30, 1915	623,624.37
	$1,278,929.76
Deduct—	
Amount applied to reduce book values of securities on October 31, 1916	$36,797.95
Four quarterly dividends of six per centum each	240,000.00
Balance to credit of undivided profits, October 31, 1916	$1,002,131.81

During the year four quarterly dividends of six per cent. each were paid. The company has established a system of pensions for employees, the purpose of which is thus stated:

The purpose of the establishment by the board of directors of a system of pensions is to encourage persistency of service and to reward those who give the productive years of their life to the service of the company, and who, by reason of advanced age, or by reason of permanent or continued incapacity because of sickness, are prevented from performing regular and competent service.

All employees who shall have been continuously in the service of the company for at least twenty years, and shall have attained the age of sixty-five years, may, unless requested by the board of directors to remain longer in service, be retired from active service and be granted a pension for the remainder of their lifetime.

All employees who shall have been continuously in the service of the company for at least twenty years, and shall have attained the age of seventy years, shall, unless requested by the board of directors to remain longer in service, retire from active service and receive a pension for the remainder of their lifetime.

The annual pension to be allowed such retired employee shall be at the rate of two per cent. of his, or her, average annual salary for the three years immediately preceding his, or her, retirement, for each year of service in the company, but the maximum annual amount paid shall in no case exceed sixty per cent. of such average annual salary, and the minimum annual amount shall in no case be less than forty per cent. of such average annual salary.

Provided, however, that nothing herein shall prevent the board of directors of the company from rewarding by an additional annual allowance, any employee who has rendered specially meritorious and valuable service to the company.

All employees who shall have been continuously in the service of the company for at least twenty years, and who by reason of advanced age, or by reason of permanent or continued incapacity because of sickness, are prevented from performing regular and competent service, shall be entitled to the most favorable pension they could expect had they reached the retiring age.

Provided, however, should such em-

Alexander Dana Noyes
Financial Editor Scribner's Magazine

On Prophesying

DO YOU remember the dark days of August, 1914, when no one dreamed of the prosperity which has since come to this country? The factors which wrought the change could not have been foreseen. No more can the determining factors in our situation at the end of the war be guessed now. Alexander Dana Noyes in the December Scribner's sounds an important warning to those who base their judgments on immediate, apparent causes instead of ultimate developments of the longer future. Like all his monthly articles, this one contains a timely, authoritative viewpoint of distinct value to business men. Read the next four articles in the December, January, Febuary, and March issues—for $1 (send your personal check)—and, after that, see whether you can afford *not* to see them.

Scribner's Magazine for December

CHARLES SCRIBNER'S SONS, *Publishers, Importers, Booksellers*
Fifth Avenue at 48th Street, New York City *Established* 1846

ployees at any time sufficiently recover so as to be able to perform satisfactory service or be employed elsewhere, they shall not be entitled to any pension during such period of employment.

Desiring to maintain direct personal relations with all retired employees, and in order that such retired employees may personally enjoy the benefits of the allowances, no assignment or attachment of pensions will be permitted or recognized by the board of directors.

Pensions may be withheld or paid to some other member of the family by the board of directors, in all cases of gross misconduct on the part of the beneficiary.

Employees who voluntarily leave the service of the company thereby relinquish all right or claim to any pension.

The adoption of this plan of granting pensions by the board of directors shall not be held or construed as giving to any employee a right to be retained in the service of the company, or any right or claim to any pension, and the company reserves, unaffected by any allowances, its rights and privileges to discharge any employee when the interests of the company may so require, without liability other than for salary or wages due and unpaid, or to make such changes or amendments hereto, from time to time, as they may deem expedient.

—Among the many interesting matters treated in "The Advance," issued by the Corn Exchange National Bank, is the subject of community organization. In an article by A. B. Ross in a recent number of this publication the object and advantages of such an organization are clearly explained. Briefly, the purpose is to apply the principle of coöperation in growing and marketing of farm products, a plan which has been successfully put in operation in many parts of the country.

—A recent issue of "Philadelphia Chaptergram" gives the following information about the local members of the American Institute of Banking:

The many friends of David Craig,

formerly connected with the Tradesmens National Bank, were much gratified to learn recently of his selection as district manager for the R. L. Dollings Co., investment bankers. Judging by the energy and ability displayed by Mr. Craig in his long connection with Chapter activities, there is but one thing left for us to do—to congratulate the Dollings Co.

Mr. George Zimmer, formerly manager of the foreign exchange department of the Franklin National Bank, has resigned from his position with that institution to enter the employ of George H. Fadden & Bro., 121 Chestnut street.

Mr. Zimmer has been succeeded by Edward C. Ayres, another Institute member.

Union National Bank boasts of the fact that they lead in Chapter membership in ratio to the total number of men employed in any institution in which there are ten or more members. They have thirty-nine active members and employ forty-nine men.

About eighty per cent. Who can beat this?

Pittsburgh

—The following matters of interest are referred to in the November letter of the People's National Bank:

Here in the Pittsburgh district the most noteworthy advance was in fuel. At the moment of writing sales of run-of-mine coal are reported to have been made at $5 a ton and furnace coke above $7.50 a ton. In this connection it is interesting to note that mining operations in this district at the present time are estimated at only sixty-three per cent. of capacity, which compares with ninety-three per cent. at the corresponding date a year ago. The most strenuous efforts to increase output have met with comparatively little success, the gain during the last half of October being less than five per cent. over the first half of the month, despite the inducement of 100 per cent. advance in price. The shortage of supply occurs at a time of maximum consumption for steam making and when little or no progress has been made in accumulating stocks against the season of hampered transportation and distribution.

—Important changes have been recently announced in the official staff of the People's National Bank, all of them in the nature of promotions of young men who have acquired their bank training under President Robert Wardrop.

Frank R. Flood and Joseph W. Ward were elected vice-presidents, and J. Howard Arthur was elected cashier to fill the vacancy caused by the retirement of Harvey Schumacher about three months ago, to take the position of treasurer of the Sun Shipbuilding Company of Chester, Pa. John DeM. Werts, formerly auditor of the bank, was made assistant cashier.

Mr. Wardrop, who is also a director of the Federal Reserve Bank at Cleve-

FRANK R. FLOOD
VICE-PRESIDENT, PEOPLE'S NATIONAL BANK,
PITTSBURGH, PA.

JOSEPH W. WARD
VICE-PRESIDENT, PEOPLE'S NATIONAL BANK,
PITTSBURGH, PA.

J. HOWARD ARTHUR
CASHIER, PEOPLE'S NATIONAL BANK,
PITTSBURGH, PA.

JOHN DEM. WERTS
ASSISTANT CASHIER, PEOPLE'S NATIONAL BANK,
PITTSBURGH, PA.

land, remains as president of the People's National, which is one of the largest banks between Philadelphia and Chicago.

It has been a matter of favorable comment in local banking circles that this conservative old institution found within its own organization young men of ability to fill the responsible positions to which they have been promoted.

—An important development in the local steel trade recently has been the anxiety of steel consumers to anticipate their prospective needs. Orders for steel rails are reported to have been placed for delivery in 1918. Inquiries and orders for plates and other materials used in shipbuilding virtually absorb present mill capacity for all of 1917. Were it not for fear of causing a runaway price movement, it is probable that the larger manufacturers would withdraw from the market entirely for certain descriptions of finished steel. In the matter of machinery—which by the way is operating to 100 per cent. capacity—instances are related where makers have named prohibitory prices and terms of delivery on tentative foreign business, because of overcrowded order books and uncertainty as to future supplies and cost of raw and semi-finished material.

The anxiety of consumers to anticipate future needs, and their willingness to enter into long-term contracts for delivery as far ahead as 1918 has been responsible for renewed efforts by manufacturers to invoke protective measures. To this end the committee on contract obligations of the American Iron and Steel Institute has drafted a proposed form of contract which is non-cancellable at the option of either buyer or seller. This proposed form of contract has been ratified by the directors of the Institute, and has been adopted by the National Association of Sheet and Tinplate Manufacturers. The glass industry of the country through the National Glass Distributors' Association is considering similar reform in contracts.

Local mercantile trade continues very active and is approaching the holiday season with every expectation of record-

breaking business, especially in lines classed as luxuries. It cannot be affirmed that there is any positive sign of overstocking; but in merchandise that has risen sharply in primary markets, or that promises to rise owing to scarcity of raw material, there are indications that retail distributors and jobbers are ordering in excess of normal requirements with the view that allotment will be made by mills on a percentage basis, and that the retailer's quota will approximate his actual needs. However, the policy pursued is after all largely a matter of individual temperament. In one case which we can cite the policy has been adopted by the retailer of a special line of goods of keeping stocks under rather than over normal, and regulating the placing of orders to fill specific contracts. In this particular instance the merchandise has rapidly advanced in price, and the maintainance of the existing level depends largely upon the duration of the war. From the foregoing it is obvious that the unprecedented activity is accompanied by much feverishness in commercial circles.

Albany

—The Albany Chapter, American Institute of Banking, is enjoying the most progressive and prosperous year in its history. Thirteen new members were added at the November meeting, making ninety-seven new members for this year. This brings the total membership up to two hundred and ten. The attendance was one hundred and fifty.

A rare treat was enjoyed with an address by Raymond C. Schindler, president of the Schindler National Detective Agency, New York city. His topic was "Detection of Frauds."

In his remarks he said that the most costly crime in this country at the present time is that of forgery and check raising, and added that up to the present time the authorities have been unable to keep pace with the clever methods being employed by the criminals. He also told the men of the modern methods used in running down criminals, and cited several interesting personal experiences.

An exhibition of a dictagraph was given by Mr. Schindler and an assistant, showing a dictagraph in actual operation and how it is used to obtain evidence for the conviction of criminals. The chief of police, district attorney, justice of police court, local detectives. and experts on criminology were special guests at this meeting.

The study classes have an enrollment of nearly one hundred. The average attendance at the class on "Principles of Bond Investments" on Tuesday nights is thirty-two and at the class in "Banking and Finance" on Thursday nights is thirty-eight.

Ralph Clark, clerk at the National Commercial Bank, has taken a position as assistant receiving teller at the Manufacturers National Bank, Troy. Mr. Clark has been with the National Commercial Bank since 1914. He is a member of the Tenth Infantry, N. G. N. Y., and has recently returned from the Mexican border.

The study classes are attended by a large delegation of men from Troy. There are also men attending from Rensselaer, Altamont, Amsterdam, Mechanicville and Ballston Spa.

Practically all the bank officials in Albany and the capitol district are included in the membership.

—Deposits of the Asbury Park (N. J.) Trust Company have passed the half million mark. The gain in deposits made by this comparatively new institution during the past twelve months is $177,250.87. On June 30 last year the deposits totaled $325,-973.36. At the same time this year the amount on deposit had advanced to $503,224.23. The high water mark with this bank was reached on a recent date when the deposits mounted to $555,-889.51, an increase of $217,500 over the same date last year.

President William J. Couse takes just pride in the bank's showing as dis-

closed by a comparison with last year's business and declares the bank's intention to seek the million mark.

NEW ENGLAND

Boston

—The Metropolitan Trust Company has been gaining steadily in deposits during the past year, having opened fully a thousand new accounts and showing a gain in deposits since last fall of about $1,300,000 and a still larger gain since the time Chandler M. Wood assumed the presidency of the company. Regular dividends of eight per cent. are now being paid. Arthur T. Hatch, treasurer of William A. Muller & Co., insurance, has recently been elected a director.

—The Hyde Park Trust Company will establish new quarters in a building now being remodeled at the corner of River street and Harvard avenue, from plans by Architect Thomas M. James. Deposits are now running over $1,000,000. President F. L. Childs has recently been elected a director of the Fidelity Trust Company, Boston.

—The Jamaica Plain Trust Company, which has been in business since May 1, 1916, had on November 1, 1916, total resources of $512,000 and in the savings department $103,500. The total deposits including savings were at that time $413,000. Edric Eldridge is president and Theodore C. Gates treasurer of the new company.

—The November 17 statement of the International Trust Co. showed that it had reached a total of commercial deposits of $18,561,804.61 and savings deposits of $2,280,192.19, making gross deposits of $20,841,996.80. This is contrasted with $14,258,473.43 on the corresponding date of 1915, $10,116,161.79 in 1914, and $7,706,366.46 in 1913, showing a gain of over $13,000,000 in four years.

—The Equitable Trust Company, a notable addition to Boston's banking institutions, has started business.

The directorate, headed by Charles B. Strecker, for the past three years Assistant Treasurer of the United States at Boston, comprises some of Boston's prominent banking and mercantile interests.

The complete list of directors is as follows: Charles F. Adams, president John T. Connor Company, grocers; Wm. H. Burgess, Burgess, Lang & Co., bankers; Ralph C. Emery, treasurer John S. Emery & Co., Inc., ship brokers; Sidney E. Farwell, treasurer American Zinc, Lead & Smelting Co.; R. M. H. Harper, E. W. Clark & Co., bankers; Joseph M. Herman, president Joseph M. Herman & Co., shoes; Albert W. Kaffenburgh, I. Kaffenburgh & Sons, leaf tobacco; Lewis I. Prouty, vice-president Carr Fastener Company; Frank H. Purington, president Henry W. Savage,

Inc., real estate; George Putnam, Richardson, Hill & Co., bankers; Charles B. Strecker, president; John E. Thayer, Jr., secretary Punta Alegre Sugar Company; James H. Turnbull, secretary; Chas. E. Wyzanski, M. E. & C. E. Wyzanski, real estate.

Mr. Strecker will serve as president, with Joseph H. Herman and John E. Thayer, Jr., vice-president; James H. Turnbull, secretary, and Wallace H. Pratt as treasurer.

Providence

—The Rhode Island Hospital Trust Company in its semi-annual statement of October 31 shows total deposits of $52,045,374.98, and total assets of $59,367,234.74. In addition, many millions in trust funds are held, so that this great company has more than $100,000,000 under its care and control. As already announced, steps are being taken to erect a great building on the present site on Westminster street, to properly house one of the most important financial corporations in the country.

—Edward D. Pearce, Herbert J. Wells and Rowland Hazard have resigned as directors of the Merchants National Bank and Moses J. Barber, cashier, and Frank E. Richmond, 2d treasurer of the Crompton Co., have been elected to the board.

—William Gammell has been elected president of the Providence National Bank, succeeding Robert H. I. Goddard, who has resigned on account of the Clayton Act. This bank, of which Earl G. Batty is cashier and active officer, has increased its deposits from $992,634.27 September 12, 1914, to $2,946,852.70 on the corresponding day of 1916.

—Succeeding Colonel Frank W. Matteson, Albert R. Plant has been elected director and president of the Blackstone Canal National Bank. Mr. Plant has

been connected with the bank for twenty-eight years, and cashier since 1908, during which period the bank has increased its deposits by a million dollars. The success of his administration of the bank's affairs made him the logical successor to the office of president when the operation of the Clayton Act made necessary the resignation of the former president. Charles P. Brown, formerly assistant cashier, has been appointed cashier.

ALBERT R. PLANT,
PRESIDENT THE BLACKSTONE CANAL NATIONAL BANK, PROVIDENCE, R. I.

—The Chapin National Bank of Springfield, Mass., has decided upon the erection at an early date of a new building on its present site. The new structure will be for the exclusive use of the bank and it is expected that work will start early in the spring. H. A. Woodward, formerly associated with Goldman, Sachs & Co., has recently been elected president of the bank and has assumed that office.

—Steps are being taken to establish a new trust company in Ware, Mass., to take over the business of the Ware National Bank.

—Directors of the Hadley Falls National Bank and the Home National Bank, Holyoke, Mass., have voted to reorganize and consolidate as a trust company.

SOUTHERN STATES

Richmond

[*Special Correspondence*]

—The excellent condition of the Federal Reserve Bank of Richmond is indicated in the report just issued by Governor Seay.

The rediscounts of the month are smaller than corresponding dates last year and also smaller than for the first twenty days in October. This the bank takes to indicate that the member banks have all the money necessary to meet their local demands.

The total resources of the Reserve Bank of the Fifth District are larger than ever before in the history of the institution while the report shows an enormous amount in federal notes in circulation, the total being $17,116,960.

The following is the detailed report showing the condition of the Reserve Bank of this city:

Resources—Gold coin and certificates, $4,680,201; gold settlement fund, $18,951,000; total gold reserve, $23,631,201. Legal tender notes, silver certificates and subsidiary coin, $72,235.95; total reserve, $23,703,436.95. Real estate, $121,011.05; investments, $60,750; United States bonds, including accrued interest, $1,092,055.20; bills discounted and bought, $4,410,198.73; due from other Federal Reserve Banks, net, $1,708,464.89; items in transit—deferred, $8,675,780.04; all other resources, $131,999.28; total, $39,903,696.14.

Liabilities—Capital paid in, $3,340,500; reserve deposits—net, $23,368,205.86; United States Government deposits, $2,181,870.12; Federal Reserve notes in circulation—net, $2,676,390; items in transit—deferred, $8,174,332.28; all other liabilities, $162,397.88; total, $39,903,696.14.

Gold reserve against all liabilities, eighty-nine per cent; cash reserve against all liabili-

ties after setting aside forty per cent. gold reserve for Federal Reserve notes outstanding, ninety-six per cent.

Federal Reserve Notes—Issued, $17,580,570; on hand, $463,610; outstanding, $17,116,960; gold with Federal Reserve agent, $14,440,570; net liability, $2,676,390.

—The new check clearing system established by the Federal Reserve Banks is working out satisfactorily in Richmond and the officers of the local financial institution are pleased with the results accomplished. When the par-collection system was installed, country banks made the contention that they would suffer on account of the loss of certain fees. In opposition to this contention the Reserve Bank officials contended that the increased business would offset the fee losses.

The report of the Richmond Federal Reserve Bank for the first two weeks in November showed that the average number of checks handled daily were 17,544, making a daily average of $7,802,810. The bank handled a total of 175,446 items amounting to $78,028,100.

—Experts from the New York Bureau of Municipal Research have made a preliminary examination of conditions in this city and reported that a survey can be made by the Metropolitan organization for $10,000, that should save the city of Richmond in its official administration at least $1,000,000 a year.

Bankers and business men here have formed themselves into a civic association and it was through the instrumentality of that organization that a representative of the New York Municipal Bureau appeared in this city and looked over the situation, and later in the day delivered an address before the board of directors of the association. The question is now being considered by the city council and if the money is not voted by the city it is likely the civic association will raise the amount and arrange to have the survey made by the New York experts.

—Bank clearings continue to show a remarkable increase in Richmond and business conditions are thus shown to

Condensed Statement of the Banks of Richmond, Virginia, November 17, 1916

Compiled by W. P. SHELTON, Assistant Cashier First National Bank

ASSETS

	Loans and Investments.	Cash & C. H. Exchange.	Total Due from Banks.	Miscellaneous.	Total Assets.
First National	$21,766,555 54	$1,507,219 40	$ 4,315,228 41	....	$ 27,589,003 35
Planters National	8,003,407 08	643,197 29	2,696,446 17	....	11,343,050 54
Central National	1,281,719 32	135,343 33	221,095 07	$ 10,857 88	1,649,005 60
National State and City	8,930,734 43	833,041 23	3,131,408 84	....	12,895,204 50
Merchants National	10,220,003 80	624,792 28	4,907,322 45	448,000 00	16,200,718 72
Broadway National	724,958 51	35,780 10	67,747 37	....	828,485 18
American National	9,212,006 73	412,220 10	3,350,942 34	....	12,975,931 17
Manchester National	591,508 43	26,097 01	45,881 42	....	663,936 86
Broad Street	1,837,005 28	116,422 07	186,880 88	....	2,130,706 81
Bank of Commerce and Trusts	2,085,507 29	36,750 00	255,525 30	....	2,377,782 50
Union	1,811,818 44	7,482 07	289,334 34	....	2,108,631 85
Richmond Bank and Trust	1,319,252 79	31,743 27	193,481 14	....	1,544,477 20
Church Hill	775,317 28	35,700 53	121,084 64	....	932,102 45
Richmond Trust and Savings	2,003,330 18	13,855 01	292,100 84	125,000 10	2,434,284 13
Savings	1,928,196 27	43,540 97	75,702 08	....	2,047,429 80
Mechanics and Merchants	957,505 48	55,396 36	25,296 13	....	1,038,198 97
Virginia Trust	3,396,067 06	60,162 71	812,792 24	200,000 00	4,471,022 01
Old Dominion Trust	3,600,475 51	18,680 23	567,307 73	....	4,186,523 47
West End	253,796 08	10,512 82	22,560 54	....	286,869 44
Totals	$90,601,083 59	$4,664,776 48	$21,507,787 08	$849,946 98	$107,983,514 73

LIABILITIES

	Capital.	Surplus Profits, etc.	Circulation.	Total Deposits.	Bond Account.	Bills Payable Rediscounts.	Total Liabilities.
First National	$2,000,000 00	$ 1,579,584 36	$1,435,300 00	$21,865,718 99	$ 708,400 00	....	$27,589,003 35
Planters National	300,000 00	1,747,457 06	178,000 00	9,117,592 88	....	....	11,343,050 54
Central Nat	330,000 00	88,585 78	48,000 00	1,163,419 82	....	....	1,649,005 60
Nat. State & City	1,000,000 00	959,995 47	415,750 00	10,297,459 03	$ 221,000 00	....	12,895,204 50
Merchants Nat	300,000 00	1,315,861 21	183,100 00	13,943,737 51	....	....	16,200,718 72
Broadway Nat	200,000 00	31,572 19	98,500 00	478,411 99	....	$ 20,000 00	828,485 18
American Nat	1,000,000 00	784,853 05	973,600 00	9,874,955 62	187,000 00	155,622 50	12,975,931 17
Manchester Nat	150,000 00	12,694 56	95,000 00	406,742 30	....	....	663,936 86
Broad Street	200,000 00	141,457 90	....	1,789,250 82	....	....	2,130,708 81
Bk. of Com. & Trs.	250,000 00	194,104 97	....	1,831,677 62	....	100,000 00	2,377,782 50
Union	219,750 00	612,985 05	....	1,275,896 80	....	....	2,108,631 85
R'd Bank & Trust	477,400 00	119,463 86	....	947,613 34	....	....	1,544,477 20
Church Hill	150,000 00	50,972 94	....	731,189 32	....	....	932,162 45
R'd Trust & Sav.	1,000,000 00	167,289 49	....	1,157,114 64	....	....	2,434,284 13
Savings	200,000 00	338,562 99	....	1,508,866 90	....	....	2,047,429 89
Mech. & Merchants	100,000 00	149,700 26	....	788,397 71	....	....	1,038,198 97
Virginia Trust	1,000,000 00	540,141 20	....	2,084,880 81	200,000 00	....	4,471,022 01
Old Dom. Trust	1,000,000 00	1,176,908 41	....	2,009,615 06	....	....	4,186,523 47
West End	25,000 00	25,877 89	....	235,991 55	....	....	286,869 44
Total	$9,822,150 00	$10,238,048 32	$3,428,450 00	$82,088,042 91	$1,383,200 00	$275,622 50	$107,983,514 73

Miscellaneous—Merchants National, $448,000.00; Richmond Trust and Savings, $110,000.00; total, $558,000.00.

be in fine condition. As a matter of fact the prosperity that is apparent all over the country is also enjoyed in the South, where manufacturing developments are in the best condition in the history of the country. The steady increase in the clearings of the Richmond Clearing House Association is indicated when it is pointed out that the clearings up to November 20 are about twenty millions in excess of the corresponding date last year, and about ten million dollars more than the corresponding dates last month.

A report issued from the Richmond Clearing House November 20 showed that the clearings up to that date amounted to $64,716,052, and for the corresponding dates last year $44,692,541. The first twenty days in October the clearings amounted to $54,814,333.

—The Citizens National Bank of Martinsburg, W. Va., occupied last month its handsome new quarters which have been remodelled and made thoroughly modern by Hoggson Brothers, Atlanta and New York builders.

The new quarters have been so arranged that every inch of space is utilized to best advantage. A separate office for the use of the president, an open space for the use of the officers, and an alcove in which is placed a check desk for customers, are tastefully finished in mahogany and plate glass.

The vault is of the latest design and is lined throughout with burglar-proof steel, surrounded with solid concrete one foot thick, in which is imbedded chrome steel bars five inches apart. In addition to the money safe, which is behind a heavy steel grille, there are one hundred safety-deposit boxes and an additional fireproof vault for the safekeeping of books and papers.

The woodwork in the rooms set apart for the bank officials, as well as the customers' lobby, is of mahogany, and presents a rich and handsome appearance. The wainscoting throughout is of verde antique marble base, with a light-[illegible]roccadillo marble for the upper portion. The floor is of terrazzo with marble mosaic borders in the lobby, while the working quarters behind the mahogany, bronze and plate glass partitions are spread with battleship linoleum of dark tone. The lofty walls are laid in light green oils while the ceiling is of white.

The whole aspect of the structure inside and out is of simplicity, dignity, subdued elegance, and durability.

The Citizens National Bank was incorporated in 1886 and the present officials are: Dr. James Whann McSherry, president; W. J. Lambert, vice-president; Edward Rutledge, cashier, and Charles A. Young, assistant cashier.

Baltimore

—William S. Hammond, for many years cashier of the First National Bank of Baltimore, has been elected cashier

WILLIAM HAMMOND
CASHIER, FIRST NATIONAL BANK, BALTIMORE, MD.

of the Farmers and Merchants National Bank.

Mr. Hammond began his business career in a wholesale hardware house in Baltimore, where he spent four years and then entered the employ of the Western National Bank, remaining there two years and a half. In 1891 he became bookkeeper of the Equitable National Bank, which institution ten years later bought the First National Bank. In 1901 Mr. Hammond was elected assistant cashier of the First National Bank and in 1901 became its fifth and last cashier, the First National Bank having been recently merged with the Merchants and Mechanics National Bank.

Mr. Hammond, as will be seen, brings to his new position a very wide experience in business and banking affairs, and he is also possessed of an extensive acquaintance and numerous friends among the bankers of the country.

—A group of Baltimore financial and business interests has organized the National Finance Corporation, which will operate under a Maryland charter with an authorized capitalization of $2,500,000.

The purpose of the new company is to finance, audit and otherwise aid manufacturing and business concerns which, although solvent, find it difficult to obtain such assistance as they may need through the usual banking channels. The company will also engage in other financial operations.

Washington, D. C.

—The District of Columbia Bankers Association recently eleeted the following officers: President, John Poole, president Federal National Bank; first vice-president, Corcoran Thom, vice-president American Security and Trust Company; second vice-president, A. G. Clapham, president Commercial National Bank; secretary, Edmund S. Wolfe, cashier District National Bank (re-elected); treasurer, A. S. Catley, cashier Lincoln National Bank (re-elected).

The council of administration is composed of Robert N. Harper, District National Bank; M. D. Rosenberg, Bank of Commerce and Savings; John B. Cochran, Franklin National Bank, and George R. Linkins, Security Savings and Commercial Bank. Messrs. Linkins and Cochran are new members.

The association unanimously approved the re-election of Captain James F. Oyster as a director of class B on the board of the Federal Reserve Bank of Richmond.

John Riordon, Joshua Evans, Jr., and W. W. Spaid were re-elected members of the audit committee. H. H. McKee reported for the legislative committee, B. F. Saul for the protective committee, Corcoran Thom for the committee on bad checks, and Edmund S. Wolfe as delegate to the American Bankers' Association at Kansas City.

Applications for membership were received from the Merchants' Bank and the Anacostia Bank.

Atlanta, Ga.

—Robert F. Maddox has been placed at the head of the Atlanta National Bank, with resources augmented to seventeen million dollars by a consolidation with the American National, of which Mr. Maddox was for many years vice-president.

The Atlanta National has $2,400,000 capital, surplus and undivided profits, and $14,500,000 deposits. The capital stock of the American National was bought by the Atlanta National for $210 a share, and Mr. Maddox and his associates acquired large holdings in the stock of the Atlanta National, which is the oldest national bank in the Cotton States and the largest in the southeast.

In the consolidation the officers of the American National fared as follows:

President Wm. L. Peel became chairman of the finance committee, retiring as an active officer after forty-five years in the banking business.

Vice-president Robert F. Maddox became president.

Cashier Thomas J. Peebles became vice-president.

James P. Alexander remains assistant cashier.

The official staff of the Atlanta National is assigned as follows:

President Charles E. Currier, who has been in ill health for the past six months, became chairman of the board of directors.

Vice-presidents Frank E. Block and James B. Floyd were re-elected.

Cashier George R. Donovan was elected vice-president.

Assistant Cashier J. S. Kennedy became cashier.

Assistant Cashier J. D. Leitner was re-elected and D. B. De Saussure and R. B. Cunningham were appointed assistant cashiers.

Mr. Maddox, who is now president of the Atlanta Clearing House Association, by his deference to the interests of harmony at the recent convention of the American Bankers Association, in Kansas City, paved the way for the election of Charles A. Hinsch to the vice-presidency without opposition, and thereby won many new admirers who have allied themselves with his former adherents and have pledged their support to Mr. Maddox for the next nomination.

He was selected by the dominant interests in the Atlanta National as the logical man to be placed at its head, owing to the desire of former President Currier to relinquish his responsibility on account of his health. The opening day of the consolidated institution took the form of an ovation to the new alignment of forces and public approval was stamped large upon the new president as the man for the place.

The American National will be liquidated and only the name of the Atlanta National will survive.

In 1890 Robert F. Maddox, after leaving Harvard, entered the employ of his father, founder of the Maddox-Rucker Banking Company, as collector and filled every position in the bank up to the vice-presidency, which position he occupied with the Maddox-Rucker Banking Company in 1908, when it was converted into American National Bank.

Mr. Maddox was a delegate to the American Bankers' convention held in Chicago in August, 1913, called for the purpose of considering the banking act then pending in Congress. He was appointed on the committee to revise the act, and was also appointed a member of the committee of seven, of which James B. Forgan was chairman, to present the views of the bankers of the United States before the banking and currency committee of the Senate. The labors of this committee resulted in securing many important changes in the bill after it had passed the House.

Mr. Maddox has always taken an active interest in civic and commercial affairs, in connection with which he has occupied many positions of honor and distinction. He served as a member of the board of commissioners of Fulton county in 1907 and 1908, resigning when he was elected mayor of Atlanta, a position which he held with distinction during 1909 and 1910.

As president of the Atlanta Chamber of Commerce in 1904 and 1905, Mr.

Maddox did some splendid work for the city and its commercial interests. His well-known service in this and other connections resulted in his selection as vice-president of the South of the Chamber of Commerce of the United States, and also vice-president of the Georgia Chamber of Commerce.

In 1912 Mr. Maddox served as president of the Georgia Bankers' Association, and for two years has served as a member of the executive council of the American Bankers' Association. He is a trustee of the Vanderbilt University, a member of the Georgia State Board of Health, and a director of the Seaboard Air Line Railway, of the Georgia Railway and Power Company and of the Trust Company of Georgia, and also other well-known corporations.

His equipment and experience eminently qualify him for the conspicuous and responsible place he has won at the head of the oldest and largest bank in the Cotton States.

Macon, Ga.

—Interests identified with the Citizens and Southern Bank, Savannah, have bought a controlling interest in the American National Bank of Macon, paying $150 a share for the stock.

Mills B. Lane, president of a chain of banks owned by the Citizens and Southern Bank of Savannah; E. T. Comer, of Millhaven; John B. Comer, of Macon, and George B. Clarke, of the same city, purchased most of the stock. They have associates who are connected with the Citizens and Southern Bank.

At a meeting of the board of directors of the new bank Mr. Lane was elected president; George B. Clarke, of Savannah, vice-president and active officer; E. C. Scott, present cashier, was re-elected, and W. E. Bozeman, assistant cashier, was also re-elected.

R. J. Taylor, president of the American National, tendered his resignation, as did L. P. Hillyer, vice-president. Mr. Taylor will be associated with the Continental Trust Company, of which he is president, and Mr. Hillyer, it is understood, will organize a new bank. It is the announced policy of the new officers to retain the present clerks and minor officials of the bank.

The new board of directors, headed by Mr. Lane, is composed of E. T. Comer, George B. Clarke, Captain R. C. Hazlehurst, W. G. Lee, W. J. Little, R. J. Lowry, O. A. Park, Stephen Popper, John D. Comer, William Murphey and H. P. Smart, the two latter of Savannah. Only six of the old directors retain their places, being Messrs. Hazlehurst, Lee, Little, Park, Lowry and Popper. Retiring directors are: Mr. Taylor, Mr. Hillyer, A. E. Chappell, J. Von Johnston, B. P. O'Neal, J. B. Riley and A. W. Smith.

The deal consummated involved capital stock of $500,000, for which $150 a share was paid, with the condition that an additional bonus of from $10 to $20 per share will be realized by the stockholders when the assets are realized upon. The Citizens and Southern Bank has a capitalization of $1,000,000, with surplus and undivided profits of $1,179,296.83. It operates in add the main institution at Savar Augusta, and a branch in S Lane is also interested in National Bank of Jacksonvil.

The purchase of the Americ tional Bank by the Citizens and Sou. ern has been pending for some time. Arrangements finally were made for the transfer of the stock by Robinson-Humphrey-Wardlaw Company, who offered Mr. Lane and his associates stock owned by the Johnson family, which constituted the largest single block of stock, and that of Joel Hurt, of Atlanta, who held a large block in his own name, and represented Atlanta interests in the deal.

Mr. Lane states that the American National will follow its general policy for the past several years under the new management.

"We have bought control, and we will buy all other stock offered within the next fifteen days at the same price and upon the same terms that we have bought control," he said. "The stock

was offered us through Robinson, Humphrey & Wardlaw Company.

"We bought the stock because we thought it a good purchase. We have a large amount of money, approximately $1,000,000, lent in Macon and vicinity, and we want to be in a position to give our customers quick and convenient service."

Dallas, Texas

—This city besides having the Federal Reserve Bank for this district, has made a strong bid for the establishment here of a Federal Farm Loan Bank. Local bankers and business men have proposed to underwrite the capitalization of the bank to the extent of $750,000, and to establish a $2,000,000 trust company to take up the second liens arising under the act. It is expected that the Federal Farm Loan Board will render a decision as to the location of the new bank shortly after January first.

—Deposits of Dallas banks totaled $61,571,320.68 on November 17, an increase of $20,258,990.22 over the deposits on September 12, the date of the last call for statements from national and state banks. The deposits at the time of the September call totaled $41,312,330.46. Statements were compiled by Dallas banks in answer to the call for statement of conditions on November 17. The deposits of the eight Dallas banks, including one in Oak Cliff, were as follows:

American Exchange National Bank	$22,037,285.88
City National Bank	15,078,270.90
Security National Bank	14,766,232.24
National Bank of Commerce	2,524,747.37
First State Bank	3,705,946.24
Dallas Trust and Savings Bank	1,783,632.98
Central State Bank	1,449,812.22
Oak Cliff State Bank and Trust Company	225,392.85
Total	$61,571,320.68

—The Merchants and Farmers Bank of Statesville, North Carolina, held its annual corn show on November 25. Last year there were over a hundred exhibits and it was expected that this year there would be twice as many.

—An exceptionally strong showing is made in the November 17 statement of the First National Bank of Lynchburg, Va., which reports: capital stock, $675,000; surplus fund, $325,000; undivided profits, $219,982; deposits, $3,574,157; total resources, $5,439,478.

WESTERN STATES

Chicago

—Under the heading of "The Wealth of America" the National Bank of the Republic issues a booklet giving a great deal of valuable information about the country. This is especially timely just now when the price of coal is attracting great attention.

—The November 17 statement of the First National Bank showed deposits of $173,862,000 and total resources of over $203,000,000. On November 18 the First Trust and Savings Bank reported deposits of $75,000,000 and total resources of $85,735,000.

—Directors of the Central Trust Company of Illinois have recommended to stock holders an increase in the capital stock of $1,500,000, bringing it to $6,000,000. The new stock is to be sold to stockholders at $150 a share.

—In its comptroller's statement of November 17, the Merchants Loan & Trust Company showed total resources of $98,699,655.60, an increase of over eight millions over its September 12 statement. Deposits during this same period increased from $77,352,694 to $85,604,288. The figures shown in the last statement of this company are the

largest ever and indicate clearly that this bank is contributing its share to the banking growth of the country.

—Regarding the difficulty in securing sufficient cars to handle the present large freight traffic the November letter of the National City Bank says:

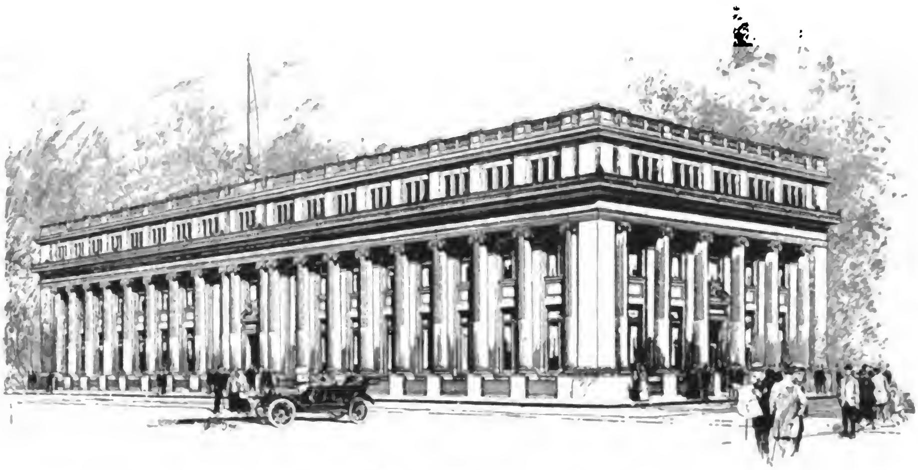
All the important Western roads are doing a phenomenal business, with the whole volume of traffic at a record level for this season of the year. The great difficulty is how to obtain a sufficient supply of cars to give the public the service it needs. There has been complaint in many quarters, but there can be no doubt that the railroads are doing the best they can under the circumstances. Some sections are threatened with a coal famine, owing to the congestion of traffic and the great difficulty experienced in satisfying the extraordinary demand for steam coal. Some of the roads are handling 1,000 cars a day, but the total demand is for a much larger tonnage with quick deliveries at centers which are making complaint of the slow service. The indications are that later on the car famine will become more acute, since business is enlarging and an immense volume of traffic will be offered this winter.

St. Louis

—To make room for its largely increased business now represented by about 70,000 patrons and eleven different departments, the Mercantile Trust Company has begun making large additions to its building at the northeast corner of Eighth and Locust streets.

The new building, which virtually represents an enlargement of the existing structure, to twice its size, will be three stories high exclusive of a finished basement, 18 feet deep, embracing the entire ground area. A feature of the basement will be an elaborate mezzanine floor.

The added building will carry out the



NEW BUILDING TO BE ERECTED FOR THE MERCANTILE TRUST COMPANY, ST. LOUIS, MO.

idea of the present one in both architectural design and interior arrangement, the two covering the entire west half of the block and constituting, in fact, one immense structure with an arcade extending from Locust to St. Charles street, as the distinguishing feature.

The erection of this building will mark an epoch not only in the growth of the Mercantile Trust Company, but also in the financial history of St. Louis. The company was organized by Festus J. Wade, its president, twenty years or more ago, with a comparatively nominal capital and with modest quarters, directly opposite its present location. The enterprise flourished from its inception under the leadership of Mr. Wade, and fifteen years ago the present building was erected in order to provide for its growth, which has been unprecedented in the financial history of the city and in the West.

As an auxiliary, and to facilitate the dispatch of a larger and diversified business, the company organized the Mercantile National Bank, with Festus J. Wade as president.

The two institutions have a combined capital of $4,500,000 and a surplus of $7,676,734.57, while the deposits aggregate $37,130,559.88.

The fronts of the building are designed in an adapted Italian renaissance; disengaged Ionic columns will embellish the south and west fronts, with pilasters applied to the north front. An attic story crowned with an open balustrade will surmount the entire structure. Material improvement in the design of the building now occupied by the company will be accomplished by the removal of the present French roof feature and the substitution of the full attic story.

The exterior will be constructed of fine cut Woodbury (Vt.) granite, sufficiently ornamented to add grace and dignity without superfluity.

There will be an entrance in the center of the Eighth street facade and one on the St. Charles front, the three leading into the main banking room, which will extend from Locust street through to St. Charles, 73 feet wide, 238 feet long, and 35 feet high, free from supports. From the first floor a marble stairway will lead to the safe deposit vaults in the basement and mezzanine stories. Four electric elevators will supply ample service between all stories; and two flights of stairs will flank the elevators.

The cost of the entire work will be approximately $400,000, and it is to be finished by February 1, 1918.

The work is in charge of Architect Isaac S. Taylor.

—John G. Lonsdale, president of the National Bank of Commerce, who re-

cently returned from a two weeks' trip to New York and Eastern cities, gave out the following interview on his impressions of financial and business conditions:

While I am optimistic about general conditions, and find the outlook more than promising, I want to particularly lay stress on the big advantages which will be gained by St. Louis and her tributary territory in utilizing the trade acceptances of individuals and business organizations throughout the Southwest.

For some time we have been conducting a campaign under the head of acceptances, and we realize, under the Federal Reserve Act, domestic and foreign acceptances have proven a valuable modern method of transacting business. In September, 1915, the officers and directors of the National Association of Credit Men, in annual meeting in Kansas City, passed a resolution stating it was with deep interest they viewed the growing tendency towards the substitution of trade acceptances for open accounts, as a form of commercial credit, and recorded their belief that trade acceptances present conveniences and economies which should appeal to the encouragement and support of commercial credit grantors.

Trade acceptances as a form of liquid credit are favored by the Federal Reserve Board as a class of commercial paper acceptable for rediscount at Federal Reserve banks, and the trade acceptance system will eliminate certain serious evils which have developed with the increase of credits under the open account system.

This is all a question of evolution and education, because we know that the trade acceptance, bank acceptance and open discount markets have been employed for many years in Germany, France and England, and with the aggressiveness and efficiency of the American people, we have within our keeping methods to eliminate lost motion, which would also have a tendency to curb the practice of overselling and overbuying, as buyers, realizing their obligations would be discounted, and their credit put to a test, would be more keenly alive to the necessity of meeting their obligations. Such a situation would help small merchants to buy and sell cheaper and thus, in a measure, solve the high cost of living, which is now an issue. Large concerns, owing to the fact that they obtain discounts under the old method, have a larger margin of profit, and the small merchants, being placed under this disadvantage, or tax, must place the cost on the ultimate consumer.

Under the trade acceptance system, he will be placed on a more equal basis, and the discount will not figure so largely in the transaction.

There are so many commodities, like cotton and grain, tributary to St. Louis, that with these being financed, in a similar manner by acceptances, drawn against same, and secured by the commodities mentioned, with the customary margin and insurance, it would afford good protection, and bring about a stabilization of rates, besides keeping what is known as credits in a liquid condition, where same could be mobilized more to an advantage.

All signs point to the dawn of a new era in business and finance, both going hand in hand, and we must at all times realize that there is nothing so sensitive as a million dollars, unless it be two million dollars, because with any adverse agitation, money takes wings and flies, and, on the other hand, there is nothing so restless as the restlessness of money when it is not being properly employed.

Minneapolis

—It is announced that the capital of the new Bankers Trust Company and Savings Bank will be $1,000,000 and the surplus $200,000. The officers are: Harry W. Parker, president; Wm. Mitchell Lewis, vice-president; T. E. Bryan, secretary and treasurer; H. S. Quiggle, cashier.

The new bank will be situated in the Lumber Exchange building.

—The following interesting items about matters in its territory are included in a recent number of the "Northwestern National Bank Review":

Bank deposits throughout the Northwest are being maintained at an unusually high point. The almost unparalleled high prices for all farm products now prevailing have helped to offset the scantiness of the harvest, the present prosperous condition having been further contributed to by the bumper crop of last year and a fairly good preceding year.

Building in the Northwest, it is interesting to note, is progressing briskly in this post-harvest season, to judge from the ample activities in the construction of large buildings of both a public and a private nature, reported in this territory.

An important change was made this month in the geography of the Ninth

Federal Reserve District when the Federal Reserve Board in Washington decided upon the transfer of twenty-five Wisconsin counties from the Ninth to the Seventh District. This was consequent upon a renewal of a petition to this effect made last year and decided upon unfavorably by the Board on May 25, 1916, but now granted in reversal of the former finding. The new ruling will go into effect January 1, 1917. The loss of fifty-two banks will be regretted by the members of the whole Minneapolis district. The remaining member banks of the Ninth District number 705, which number still shows a gain over the enrollment at the time of the bank's inception.

St. Paul

—Interest in the agricultural prosperity of the Northwest has for many years been a marked characteristic of the First National Bank of St. Paul. With the object in view of being of service to Northwestern farmers and bankers, this institution has from time to time in the past distributed to its correspondents literature pertaining to agricultural methods which would bring the greatest financial returns to farmers.

With the inauguration of an exclusive live stock and agricultural department in March, 1915, under the direction of the late James J. Hill, this bank outlined a broad policy to be adopted in the continuance of its campaign in behalf of diversified farming and the raising of more and better live stock in the Northwest. Prof. H. R. Smith, formerly professor of animal husbandry for the University of Nebraska and Minnesota, became active head of the bank's live stock and agricultural department.

His services, when required, were placed at the disposal of Northwestern bankers. Since his affiliation with the First National Bank of St. Paul Prof. Smith has addressed many farmers at the request of bankers, who were instrumental in arranging agricultural and live stock meetings in their respective localities. At these meetings methods of production to make the farming industry more profitable were discussed, and special effort was made to point out to the farmer why it would be to his advantage to engage more extensively in the live stock industry along practical lines.

Prof. Smith has also addressed several bankers' conventions in Minnesota, North Dakota, South Dakota and Montana on such subjects as, "How the Banker Can Promote the Live Stock Industry," "Importance of Live Stock and Its Relation to Prosperity," etc. In these addresses, emphasis was given to the presentation of facts and figures to show increased profits with diversified farming where live stock is one of the principal sources of revenue.

Numerous fair secretaries throughout the Northwest have asked that Prof. Smith judge cattle at their respective fairs. In addition to making the regular awards at these fairs, judging dem-

onstrations were given, and explanations made of ratings, so that those in attendance might get a better idea of what types of cattle within a certain breed will give the best returns from the feed consumed, both as to quantity and quality of product.

Many Northwestern bankers have taken an active interest in the purchase of better sires and other breeding stock for their respective communities. As far as his time would permit, Prof. Smith has given as much assistance as possible to bankers, in making their selection of stock.

Several thousand copies of two books written by Prof. Smith: "Profitable Stock Feeding" and "Cattle for the Northwest," have been distributed among bankers and farmers, with the compliments of the First National Bank of St. Paul.

The promotion of the "First National" Corn Show, which was held in St. Paul last December under the auspices of the First National Bank and Northwestern Trust Company of St. Paul and bankers of the Northwest, was handled under the supervision of the First National's live stock and agricultural department. The object of this show was to stimulate interest in the production of corn throughout the Northwestern States. Hundreds of ten-ear exhibits of corn were received. At the request of bankers and farmers, another show of like nature will be held in St. Paul this year, December 11 to 16, inclusive. The indications are that contestants greatly outnumbering those of last year will compete for the one hundred and thirty-six beautiful silver and "Goldyn" bronze loving cups offered as prizes.

The Northwest is primarily an agricultural section, and the prosperity of all interests, both city and country, is dependent to a large extent upon the prosperity of the farmers. From the inquiries received, and the personal interest apparent on the part of bankers and farmers in the agricultural extension work being carried on by the First Na-

tional Bank of St. Paul, it is thought that work of this kind is justified, because of the good that can be done for the several communities desiring help along these lines.

Omaha, Neb.

—An interesting and valuable Nebraska crop report has been compiled and published by the United States National Bank of this city. It shows that in 1916 Nebraska produced soil crops of the value of $341,740,004, and that the state has a present total wealth of $3,045,260,470.

Detroit

—After twelve years' association with the Union Trust Company, first as the company's bond officer, and during the last three years as its treasurer, Walter

Charles E. Clark
Treasurer Union Trust Company, Detroit, Mich.

Bradford finds failing health necessitates his relinquishing duties that keep him within doors.

His resignation as treasurer was accepted by directors of the Union Trust Company, and Charles E. Clark, assistant treasurer, was advanced to the position of treasurer.

Mr. Clark has been with the Union Trust Company about twenty-one years. He began his association with the company in 1895 as its first messenger and has worked his way through various departments to his present position. His successor as assistant treasurer is to be selected later.

Prior to joining the Union Trust Company Mr. Bradford was deputy commissioner of banking, under George W. Moore, of Port Huron. He has an extensive acquaintance with bankers throughout the state and has taken an active part in work of the Michigan Bankers' Association. While nominally turning over the duties of treasurer to Mr. Clark, November 1, Mr. Bradford, it is understood, will spend part of his time about the Union Trust Company's offices for a month or so, subsequently.

Peoria, Ills.

—About December 15 the Merchants and Illinois National Bank will move into its new building which has just been completed at a cost of $250,000. The bank has had an exceptional growth in recent years, and the new building was necessary to adequately care for its enlarged business. The capital of the bank is $500,000, with $247,000 surplus and profits and deposits of $4,574,000.

—In its statement of condition at the close of business November 17 the City National Bank of Evansville, Ind., showed total resources of $6,060,064.86 and deposits of $4,888,134.68. This is the best comptroller's statement that the bank has ever published and is a source of considerable satisfaction to its

officers, who see in it the result of the institution's efforts in behalf of the economic prosperity of Southern Indiana.

PACIFIC STATES

San Francisco

—As a part of its service to customers, the First National Bank of this city issues a pamphlet informing patrons as to the proper department to communicate with by telephone in the handling of various matters arising in dealings with the bank. By these means depositors are enabled at once to communicate with the bank and get in touch with the proper person.

—A recent letter of the American National Bank of San Francisco contains the following information in regard to matters of interest in this section:

Unusually heavy rains were the cause of considerable damage to the lima bean and raisin crops of the state. The seeded variety of raisins were largely in the process of drying when the rains began, and it is estimated that less than fifty per cent. of the crop came through in first-class condition. This is rather a poor ending for a season that promised to be a record-breaker in the industry. Up to the end of September it was anticipated the crop would be the largest in the history of the state. Late cuttings of hay also suffered materially from the unseasonable downpour, for as usual at this time of the year a large part of the crop was stored in the fields awaiting a favorable opportunity for marketing. The extent of the damage done has not yet been ascertained and the actual money loss will be difficult to determine as improvements in pastures may operate largely as an offset.

The following deductions were made from figures published as of October 1 by the Bureau of Crop Estimates of the United States Department of Agriculture, and indicate the probable excess or shortage this year over or below the final crop figures of 1915:

	LAST YEAR	
	ABOVE	BELOW
Wheat, bushels	......	2,016,000
Corn, bushels	......	264,000
Oats, bushels	......	783,000
Barley, bushels	......	5,140,000
Potatoes, bushels	......	940,000
Sweet potatoes, bushels	160,000	....
Apples, barrels	237,000	....
Peaches, bushels	......	999,000
Beans, bushels	365,000	....
Cotton, bales (9-25-16)	69,449	....
Hay, tons	......	82,000
Hops, lbs. per acre	316	....
Oranges, as to 10-year average	5%	....
Lemons, as to 10-year average	6%	....
Prunes, as to 5-year average	......	7%
Almonds, as to 5-year average	5%	....
Olives, as to 5-year average	Same	....
Walnuts, as to 5-year average	......	2%
Sugar beets, as to 10-year average	2%	....

These figures would look bad for the agriculturist if prices were anywhere

near the same as last year, but as a matter of fact the dollar return to the farmer this season will equal, if not exceed, that of last. Wheat, for instance, averaged 46 cents a bushel higher on October 1 this year than on the same date in 1915, while corn, oats, potatoes and cotton were respectively 12 cents, 10 cents, 63 cents and 4 cents higher than last year, and have continued to advance during the month.

The lumber trade of this coast is struggling under the handicap of a scarcity of tonnage, accentuated by the daily growing car shortage, which is doubly disappointing in view of the fact that there is a large amount of construction work under way or in contemplation in all parts of the country and a fairly good export inquiry.

Building permits in San Francisco during September totaled 617, representing an expenditure of $1,200,611, against 513 for the same month last year, estimated at $1,086,912 and 524 for 1914 totaling $830,081.

The oil industry of California is keeping pace with general conditions and in fact may be said to be several jumps in the lead. Up to October 21 586 oil wells have been started in California fields since January 1, and while production has been increased thereby, a constantly increasing demand for all grades of oil, as well as by-products, warrants the continued exploration of new fields and a much fuller development of old.

—At a regular meeting of the board of directors of the Union Trust Company of this city, held on November 9, H. G. Larsh was elected cashier and secretary.

Spokane

—Trustees of the Spokane and Eastern Trust Company have elected W. T. Triplett secretary to succeed Walter L. Clark, resigned. Seth Richards was elected treasurer, taking over a part of Mr. Clark's duties, and J. L. Campbell was chosen comptroller. The position of comptroller, while provided for in the company's by-laws, has not been filled heretofore. All have been in the company's employ for a number of years. Mr. Triplett has been chief clerk and assistant secretary. As secretary, Mr. Triplett will fill the duties ordinarily discharged by the cashier of a national bank. He will be office manager in charge of the accounts, auditing and employees.

Seth Richards, who takes over the duties of treasurer on top of his present duties as assistant secretary, has been with the company since 1915. He is a son of the late H. M. Richards, a founder of the Spokane and Eastern.

J. L. Campbell, elected comptroller, has been with the company since 1906, and was assistant auditor before his elevation to comptroller.

With the resignation of C. H. Moore, publicity manager of the Spokane and Eastern, who has left the city, E. V. Klein, assistant secretary, was elected to that position and will also have charge of the country bank accounts in addition to his thrift campaign and his duties as secretary of Northeast Group II of the Washington Bankers' Association.

—The course in banking economics which will be studied by the members of the Spokane Chapter of the American Institute of Banking, was outlined by M. M. Beddall of the department of history and economics of the Lewis and Clark high school, who will act as instructor. A smoker marked the first meeting of the season.

—W. D. Vincent, vice-president of the Old National Bank, has been notified of his appointment to the committee of twenty-five of the American Bankers' Association to work with the legislation committee in eliminating the objectionable check collection features of the Federal Reserve System. This appointment is regarded as a high honor, as Mr. Vincent is the only banker west of the Mississippi River to be recog-

nized in the organization of the committee.

—Deposits of the Fidelity National Bank at the close of one business day recently were $1,400,000 in excess of the same day a year ago, according to the announcement of T. H. Brewer, president. Mr. Brewer said that the country banks were showing increases of from fifty to 100 per cent. over their deposits of one year ago. President Brewer sees coming a large demand for investments and a stimulus in the real estate market as a result of the record deposits. Many farmers with large amounts of money in the banks are buying additional land.

—Laurence A. Holt, for ten years associated with the Galland interests, recently as manager of the Spokane Realty Company properties, has resigned to become cashier of the First State Bank of Stevensville, Mont. He left Spokane to assume his new dutics on October 15. Adolph Galland will take over the management of the Falland properties. This marks the return of Mr. Galland to active business in Spokane after a two years' absence in California.

—A six per cent. dividend has been paid by the Federal Reserve Bank of San Francisco. Spokane member banks have received their share of the dividend.

—The Exchange National Bank held a corn show November 20-25.

Portland

—The Lumbermen's Trust Company again set a high price mark by its recent purchase of $15,000 Walla Walla, Wash., local improvement six per cent. bonds. A premium of 2.15 per cent. was paid. The company gives as a reason for the high price paid the unusually strong competition encountered from the Walla Walla banks. The

banks in that city and other Inland Empire points are overflowing with money, due to the big crops and high prices.

—The Lumberman's Trust Company has purchased at private sale from the city of Pocatello, Idaho, local improvement bonds of $250,000, covering the best part of the city. The bonds call for six and one-half and seven per cent. interest. The same company has just taken in $33,000 five per cent. refunding Nampa, Idaho, bonds which were previously bought. They are due in 200 years and are optional after ten years.

—Morris Brothers of this city are participants in the underwriting syndicate which will handle the new issue of $24,458,000 Interboro Rapid Transit first refunding mortgage five per cent. bonds. The syndicate has just been formed with the Harris Trust Company of Chicago and Lee Higginson & Company, managers. The issue will soon be offered to the public at 98¾ and interest. These bonds are listed on the New York Stock Exchange.

—Morris Brothers have been awarded the $50,000 issue of Nez Perce County, Idaho, six per cent. highway district bonds.

—On October 28 bank clearings for the week were $18,746,542, compared with $12,122,664 for the same week in 1915.

Seattle

—With the greatest total for any month in the history of the city, bank clearings in Seattle for October exceeded those of the same month last year by approximately $29,000,000, with an aggregate for the month of $83,868,458 as compared with $55,088,855 for October, 1915. The daily average gain in clearings for October, 1916, exceeded $1,000,000. Indicating that the total clearings for the year will exceed those of any previous year are the figures for the first ten months of 1916, which show a grand total of $630,875,925 up to November 1. Compared with $503,490,165 for the first ten months of 1915, clearings for 1916 show so far a gain of $127,385,759, or an average gain of more than $12,000,000 a month, which, if maintained for the next two months, will bring the 1916 clearings to at least $750,000,000, a figure which will eclipse all previous records.

Readjustments in the board of directors of Seattle national banks, to comply with the Clayton law forbidding interlocking directorates, have been made. The National Bank of Commerce, with the greatest number of directors affected by the new law of any bank in the city, made the following announcement:

H. C. Henry, president of the Metropolitan Bank of Seattle; Charles S. Miller and Wallace G. Collins, directors in the Metropolitan Bank of Seattle; William C. Butler, president of the First National Bank of Everett, and C. J. Lord, president of the Capitol National Bank of Olympia, will retain their directorships in these banks and continue on the board of the National Bank of Commerce. Joshua Green has remained on the board of the Bank for Savings and John A. Campbell has retained the vice-presidency of the American Savings Bank and Trust Company. Both will continue to serve as directors of the National Bank of Commerce. John T. McChesney, director of the First National Bank of Everett, will continue in this connection, having retired from the board of the National Bank of Commerce.

President F. K. Struve and Chairman of the Board Daniel Kelleher, of the Seattle National Bank, will continue to serve as director and president, respectively, of the Bank for Savings of Seattle. Both will remain on the board of the Bank of Commerce of Anacortes. Mr. Struve has resigned from the presidency of the First National Bank of Snohomish. Mr. Kelleher will retain the presidency of the Bank of Commerce of Everett.

At the Dexter Horton National Bank, President N. H. Latimer will retain the

presidency of the First National Bank of Port Townsend. Vice-presidents W. H. Parsons and G. F. Clark will continue to serve as vice-presidents of the Dexter Horton Trust and Savings Bank.

The First National Bank announces that Director O. D. Fisher, also on the board of the Metropolitan Bank, will retain both connections, as will H. W. Rowley, who serves on the directorate of the Merchants National Bank of Billings, Mont.

Tacoma

—The Puget Sound State Bank has received a charter to do business as a trust institution under the new name of the Puget Sound Bank and Trust Company. This bank, which occupies one of the handsomest quarters in the city, has been doing an increased business. On September 12 its statement showed deposits of $1,016,986, as compared with $966,412 on June 30, an increase of $50,000 in ten weeks. The officers of the institution are: H. N. Tinker, president; W. W. Newschwander, cashier; Peter Richardson and Carl E. Lindquist, assistant cashiers. Directors are: H. N. Tinker, H. H. Gove, J. S. Menefee, Edward Miller, William P. Hopping, F. A. Leach, O. F. Larson, Dr. W. N. Keller, J. B. Hawthorne, E. E. McMillan, Peter Richardson, W. W. Newschwander, Carl E. Lindquist.

—F. N. Shepherd, cashier of the Empire National Bank of Lewiston, Idaho, and chairman of the agricultural committee of the Idaho Bankers' Association, has been appointed a member of the agricultural committee of the American Bankers' Association.

—The record of the North Yakima, Wash., Clearing-house shows that the volume of business in the city is greater than ever before in the history of the association covering a period of nine years. The clearings for October this year were more than $1,000,000 greater than in October, 1911, the climax of the boom period and the previous high record. On October 10 the clearings were $181,484, while a few days later they reached $219,203. The October record was made at the height of the apple shipping season and before the car shortage became acute, and the bankers hardly expected to eclipse that record this year. The volume of business is running so heavy that even better records are looked for.

Honolulu

—The Trent Trust Co., Ltd., announces that W. J. Robinson, late Third Judge of the First Circuit Court, has associated himself with the trust company while continuing the general practice of law.

CANADIAN

—The Department of Trade and Commerce has reprinted and is publishing a report to the British Board of Trade from the committee on financial facilities for trade, recommending the establishment of a trade bank. The functions of the bank would be "to fill the gap between the home banks and the colonial and British foreign banks and banking houses, and to develop facilities not provided by the present banking system."

The proposed bank would have a capital of $50,000,000. It would possess an information bureau, which would be of particular use in the handling of syndicate business. Call or short notice deposits would not be accepted and current accounts would be opened only for parties intending to make use of the bank's overseas facilities. It should have a foreign exchange department and should open a credit department for the issue of credits to parties at home and abroad. The committee recommends the establishment of the bank without delay, so that preliminaries could be completed before the war is over.

—The statement of the Canadian chartered banks for the month of September, made public October 26, discloses some interesting changes as compared with the preceding month. Demand deposits, for example, show an increase of $10,830,774 over the month of August and nearly $95,000,000 as compared with the month of September a year ago. Notice deposits increased nearly $10,000,000 as compared with August and about $123,000,000 over September, 1915. Note circulation was $13,078,958 greater in September than in August.

The gold reserve was only $3,150,000 larger in September than in August. Call loans both in and outside of Canada are on the increase, the former showing a gain of $2,794,635 and the latter $2,507,233 over the month of August. Current loans continue to mount upward, those in Canada showing an increase last month of $12,607,243 over August, while those outside were $3,392,844 larger than the previous month. Both liabilities and assets are higher, liabilities showing a gain of $41,250,275 and assets $52,808,933 over the month of August. Comparisons for the two months are as follows:

	SEPTEMBER	AUGUST
Reserve fund...	$113,022,035	$113,022,933
Note cir.	135,285,031	122,206,073
Demand dep....	454,148,049	443,317,275
Notice dep. ...	816,374,171	806,774,687
Deposits outside Canada	149,744,985	140,789,100
Current coin...	65,026,146	65,962,079
Dominion notes.	134,433,658	137,913,307
Gold reserve...	24,010,000	20,860,000
Call loans Can..	88,145,851	85,351,216
" " outside.	173,887,586	171,380,353
Current loans Canada	752,545,756	739,938,513
Current loans outside	69,949,215	66,556,371
Total liabilities ..	$1,647,776,748	$1,596,526,473
Total assets	$1,893,604,732	$1,840,895,799

—The Banque d'Hochelaga has opened fourteen new branches during the past year, including Quartier St. Paul and Amherst, Montreal; Limoilou, Richmond, Plessisville, Ste-Marie de Beauce, Ste-Martine, Ville Marie and Shawinigan Falls, Quebec; Sturgeon Falls, Haileybury, Verner and Moose Creek, Ontario. The sub-agencies during that period have also been increased by eight. The September 30 statement of the Banque d'Hochelaga showed: Capital, $4,000,000; reserve, $3,700,000; total deposits, $27,583,000; and total assets, $40,168,000.

—The action of the directors of the Bank of British North America in appointing an advisory committee in Montreal, consisting of Sir Herbert B. Ames, M. P.; Mr. W. R. Miller, and Mr. W. R. MacInnes, has been the subject of much favorable comment in banking and business circles. Sir Herbert Ames is member of the Dominion Parliament for the St. Antoine division of Montreal and has a fine record of public service. He is at present largely occupied with the affairs of the Canadian Patriotic Fund, of which he is honorary treasurer, besides being president of the Montreal branch. Mr. Miller is senior partner of the old established stockbroking firm of R. Moat & Co., Montreal. At present he is devoting much time and labor to the work of the Quebec branch of the Red Cross Society, of which he is president. Mr. MacInnes is well known throughout the Dominion as freight traffic manager of the C. P. R. and director of the Canadian Pacific Ocean Services, Ltd. The committee represents a high type of Canadian citizenship and its advice will undoubtedly be a great help to the English Court of Directors in guiding the policy of the bank.

—The sixty-first annual general meeting of the shareholders of the Molsons Bank was held in the board room of the banking house, 200 St. James street, Montreal, November 6, 1916, at 3:00 o'clock.

The president, Mr. William Molson Macpherson, took the chair and there were also present the vice-president, Mr. S. H. Ewing, and Messrs. George E. Drummond, F. W. Molson, Wm. M. Birks, W. A. Black, E. J. Chamberlin, E. Fiske, A. Browning, A. Piddington, C. E. Spragge, J. W. Loud, G. N. Moncel, A. D. Fraser, W. R. Miller, G. W. Badgely, J. W. Molson, W. B. Blackader and others.

The president then called upon the general manager, Mr. Edward C. Pratt, to read the annual report, as follows:

Gentlemen: The directors beg to submit to the shareholders this the sixty-first annual report of the Molsons Bank and statement of its position on September 30, 1916.

The net profits for the year after making ample provision for bad and doubtful debts amounted to $582,356.14, from which has been deducted $440,000 in quarter dividends at the usual rate of eleven per cent. per annum; $21,036.75 to officers' pension fund; $15,000 to patriotic and relief funds, and $40,000 war tax on circulation, leaving an amount of $66,319.39 to add to the balance of profit and loss carried forward, which now amounts to $127,619.71.

There has been an increase of over $1,250,000 in circulation, and of nearly $7,000,000 in deposits.

On the other side of the balance sheet: Current loans are $1,150,000 more than a year ago. The Dominion and British Government securities show an increase of $5,500,000, occasioned by the large amount of Government financing for war expenses.

During the year we have opened a branch at Three Rivers, Que., and have closed the branch at Ste. Marie, Beauce, Que.

—The annual Canadian Bankers' Association meeting was held at Ottawa on November 9. The meeting was previously announced for Toronto, but owing to the indisposition of President George Burns, Ottawa, was selected.

—On November 18 the Standard Bank of Canada made an allotment of

5,000 shares of new stock at a premium of 100 per cent., at the rate of $200 for each share of the par value of $100. The first instalment of ten per cent. was payable on that date and the balance in monthly payments of ten per cent. each, until September, 1917. Shareholders have the privilege of paying in full on any day on which any instalment is payable, and the shares allotted will rank for dividend in proportion to the amounts paid thereon from the dates of their respective payments. This will increase the paid-in capital from $3,000,000 to $3,500,000, the authorized capital being $5,000,000.

Thrift Day Essay Competion

A PRIZE competition in Thrift Day essays, to which employes of all financial institutions in the United States are eligible, is announced by Collins Publicity Service, Philadelphia.

First Prize	$100.00
Second Prize	50.00
Third Prize	25.00
Fourth Prize	15.00
Fifth Prize	10.00

Honorable mention will be given next twenty essays.

Prize winners' names and portraits, as well as pictures of the institutions with which they are connected, will appear in the leading banking magazines. Every bank employe is eligible.

Clear Statement of a Profound Truth

THIS simple statement of a very important truth appeared in the Chicago "Daily News," signed by Clint Parkhurst, Guthrie, Okla.:

"A people who will not fight in self-defense will be conquered, plundered and enslaved—and deserve such a fate."

THE BANKING LOBBY OF THE GUARANTY TRUST COMPANY WAS TRANSFORMED INTO A BALLROOM RECENTLY WHEN THE GUARANTY CLUB KEPT OPEN HOUSE